



SCHEDULE A: AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF THE HARRY GWALA DISTRICT MUNICIPALITY

BUDGET & TREASURY

2017/18 MTREF

DRAFT BUDGET

ANNUAL BUDGET OF
HARRY GWALA
DISTRICT
MUNICIPALITY

2017/18 TO 2019/20
MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK BUDGET

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Annexure B: Budget Related Resolutions

Annexure C: Amendments to Budget Related Policies

Annexure B: SDBIP Summary

Abbreviations and Acronyms

AMR	Automated Meter Reading	kWh	kilowatt
ASGISA	Accelerated and Shared Growth Initiative	l	litre
BPC	Budget Planning Committee	LED	Local Economic Development
CBD	Central Business District	MEC	Member of the Executive Committee
CFO	Chief Financial Officer	MFMA	Municipal Financial Management Act Programme
CM	District Manager	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DBSA	Development Bank of South Africa	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
DWA	Department of Water Affairs	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity	NERSA	National District Regulator South Africa
EEDSM	Energy Efficiency Demand Side Management	NGO	Non-Governmental organisations
EM	Executive Mayor	NKPIs	National Key Performance Indicators
FBS	Free basic services	OHS	Occupational Health and Safety
GAMAP	Generally Accepted Municipal Accounting Practice	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HGDM	Harry Gwala District Municipality	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kl	kilolitre	SALGA	South African Local Government Association
km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises

1 Part 1 – Annual Budget

1.1 MAYOR’S REPORT

PURPOSE

To table to Council the 2017/18 Medium Term Revenue and Expenditure Framework draft budget for noting.

BACKGROUND

In terms of section 16 (1) of the Municipal Finance Management Act the Council of a Municipality must for each financial year approve an annual budget for the Municipality before the start of that financial year.

DISCUSSION:

In order for a Municipality to comply with section (i) section 16 (2) prescribes that the Mayor of the Municipality must table the annual Budget at a Council meeting at least 90 days before the start of the budget year.

In terms of section 17 of the MFMA;

An annual budget of a Municipality must set out realistically anticipated revenue for the budget year and appropriate expenditure for the budget year under the different votes of the Municipality.

BUDGET SUMMARY:

The 2017/2018 Total Revenue is R 764m broken down as follows;

- | | |
|---|-----------|
| • Government Grants and Subsidies – Capital | R 387, 3m |
| • Government Grants and Subsidies – Operational | R 303, 4m |
| • Own Revenue | R 73, 3m |

Allocated as follows;

- | | |
|----------------------|-----------|
| • Operational budget | R 391, 7m |
| • Capital budget | R 393, 8m |

2017/2018 Consolidated Total Revenue is R 764m broken down as follows;

- | | |
|---|-----------|
| • Government Grants and Subsidies – Capital | R 277, 6m |
|---|-----------|

- Government Grants and Subsidies – Operational R 335, 7m
- Own Revenue R 73, 4m

Allocated as follows;

- Operational budget R 368m
- Capital budget R 356m

The staff salaries budget has been budgeted at R144, 5m, representing 37% of the operational budget. Councilor's allowances have been budgeted at R8, 5m. The staff salaries budget for the consolidated has been budgeted at R160, 3million.

Local government equitable share

The equitable share for 2017/2018 financial year as gazetted from the Division of Revenue Bill is as follows:

✓ Equitable share R 285 028 000

For 2017/18 Final Budget capital projects amounting to R 393 833 375 have been planned under the following categories;

PROJECT TYPE	AMOUNT
Water	R 319 780 000
Sanitation	R 67 543 375
Other Assets	R 6 510 000
TOTAL	R 393 833 375

The municipality has prepared its infrastructure budget with the guidance of MIG formula for allocating this funding to local municipalities

Budget or breakdown allocation per local Municipality is as follows:

Umzimkhulu	R	79 523 375	20%	Has a huge Backlogs
NDZ	R	189 200 000	48%	Huge Backlogs & Merger
Ubuhlebezwe	R	98 600 000	25%	Backlogs has been reduced
Kokstad	R	20 000 000	5%	Few Backlogs
Internal	R	6 510 000	2%	And No Backlogs

Doctor Nkosazana Dlamini Zuma municipality infrastructure budget allocation includes an amount of R90million for the construction of the Bulwer Dam under the Regional Bulk Infrastructure Grant.

Local Economic Development and Tourism

The Harry Gwala District Municipality has developed a number of local development related strategies and plans that seek to enhance its economic growth. These plans and strategies were circulated to all councilors. The Harry Gwala District Municipality has allocated R 20m towards LED projects in 2017/18 and a total of R43, 3million in the MTREF in line with this National priority. We are hopeful that our partners, the first and second sphere of Government, in economic development will support in this Endeavour. We also intend to attract private sector investment to our district through the strengthening of our Harry Gwala Development Agency (HGDA). The Board of directors is now in place. To further strengthen the administrative capacity of the Agency, the HGDM LED unit was seconded to be part of the SDA. We are also engage through the Mayoral forum to drive towards having one LED vehicle for the district including LMs being the SDA.

Promoting efficient revenue and expenditure management in local government

The minister said municipalities, just like national and provincial governments, needed to closely examine their budgets to ensure they are using their available resources to maximize service delivery and this was centered on both; Cost-effective spending, and Revenue collection.

Looking at this budget it will be noticed that we were very conservative on the expenditure but we will also explore all possible means to recover as much potential revenue as we could collect.

While we have to focus on our mandate and uplifting skills related to our mandate but we cannot overlook the development of youth towards scarce skills in our area as they have a negative impact on the quality of life for our people. Without supporting and building of these skills like health and education, we cannot fully claim to have contributed to sustainable communities.

Harry Gwala Municipality is committed in developing community and youth residing within the District in the above mentioned skills. A number of projects have been budgeted for in the special programmes unit to ensure that the special groups existing in the Harry Gwala community are sufficiently catered for.

See breakdown on the next page

DESCRIPTION	2017/18	2018/19	2019/20
SPORT DEVELOPMENT	R 4 000 000	R 4 236 000	R 4 481 688
ICT HUB	R 300 000	R 600 000	R 70 000
RURAL HORSE RIDING - GAMES (SUMMER CUP)	R 500 000	R 900 000	R 1 000 000
DISABLED PROGRAMMES	R 200 000	R 211 800	R 224 084
YOUTH DEV EMPOWERMENT PLAN	R 500 000	R 650 000	R 730 000
BURSARIES-COMMUNITY	R 300 000	R 317 700	R 336 127
MEDICAL BURSARIES	R 200 000	R 211 800	R 224 084
WOMENS EMPOWERMENT PROGRAMME	R 200 000	R 211 800	R 224 084
MENS FORUM AND CAPACITY BUILDING	R 100 000	R 105 900	R 112 042
SENIOR CITIZENS PROGRAMME	R 100 000	R 105 000	R 112 042
FINANCIAL ASSISTANCE & SCHOOL CAMPAIGN	R 160 000	R 169 440	R 179 268
TO ATTEND UMKHOSI WOMHLANGA	R 50 000	R 52 950	R 56 021
HARRY GWALA DISTRICT MARATHON	R 1 000 000	R 1 059 000	R 1 120 422
RELIGIOUS FORUMS	R 50 000	R 52 950	R 56 021
TOTAL	R 7 660 000	R 8 234 340	R 8 925 883

In relation to the above stated points, the Local Government Budgets and Expenditure Review, published by the National Treasury in September 2011, highlights 5 important considerations:

Revenue management – To ensure the collection of revenues, the municipality should maintain accurate billing systems; timeously send out accounts to residents and strive to collect as much revenues owed as we can.

Collecting outstanding debts – This requires political commitment, sufficient administrative capacity, and pricing policies that ensure that bills are accurate and affordable, especially for poor households. In this regard, Harry Gwala Municipality has recently completed a data cleansing exercise and is reviewing its Indigent Policy.

Pricing services correctly – The full cost of services should be reflected in the price charged to residents who can afford to pay. Many municipalities offer overly generous subsidies and rebates that result in services being run at a loss, resulting in funds being diverted away from other priorities. This is a major area in which should pull our socks. Running services at a loss affects the extension of services to other areas and impact negatively on operations and maintenance.

Under spending on repairs and maintenance – Often seen as a way to reduce spending in the short-term, under spending on maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs, and cause a deterioration in the reliability of services. This lack of Operations and maintenance also causes uprising by communities due to inadequate supply of services and the questing of democracy.

Spending on non-priorities – Many municipalities spend significant amounts on non-priority items including unnecessary travel, luxury furnishings, excessive catering and unwarranted public relations projects. Consultants are often used to perform routine tasks. Major attempts would be made to reduce use of consultants. A number of capacity building programmes have been undertaken to improve the capacity which has to result to improved quality of work

Funding local government -The functions performed by local government rely largely on self-financing. The minister noted that Substantial progress has been made in overcoming the service disparities of the past through transfers from the national fiscus, but large backlogs remain. The major need is to provide municipal infrastructure to poor households and, increasingly, to pay for the institutional and governance needs of poor municipalities. This situation requires us to put more emphasis on job creation and economic development in order to create more opportunities for self-income.

Other strategies documents to be linked with the budget are:

- Integrated Development Plan (IDP)
- Budget
- Strategic Development Budget Implementation Plan (SDBIP)
- Performance Management System (PMS)
- Policies and By-Laws

1.2 COUNCIL RESOLUTIONS

On 28 March 2017 the Council of Harry Gwala District Municipality met in the Council Chambers of Harry Gwala District Municipality council chamber to consider the draft budget of the municipality for the financial year 2017/18. The Council notes the following resolutions:

1. The Council, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) notes:

1.1. The draft budget of the municipality for the financial year 2017/18 and the multi-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and

1.1.4. Multi-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

1.1.5. Consolidated budget schedules A1 to A10.

1.1.6 Noting the budget of the Harry Gwala Development Agency (Municipal Entity) as presented in Supporting in Table 31.

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table A6;

1.2.2. Budgeted Cash Flows as contained in Table A7;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;

1.2.4. Asset management as contained in Table A9; and

1.2.5. Basic service delivery measurement as contained in Table A10.

2. The Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017:

2.1. The tariffs for the supply of water – Refer to the tariffs policy in Annexure B

2.2. The tariffs for sanitation services – refer to the tariffs policy in Annexure B

3. The Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services, as set out in tariffs policy.
4. The council, acting in terms of section 24 of the Municipal Finance Management Act, notes with effect from 28 March 2017 the draft budget related policies as discussed above.
5. To give proper effect to the municipality's annual budget, the Council notes:
 - 5.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from water and sanitation to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 5.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the budget.

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the Harry Gwala District Municipality financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

District business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items and stern control measures expenditures such as telephone, internet usage, printing, workshops, accommodation, and catering.

The District has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the District has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54, 58, 59, 66, 70, 72, 74, 75, 79, 80, 85 and 86 were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water and sanitation infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

- The increased cost of bulk water (due to tariff increases from Umngeni and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable. However, with this in mind the municipality has planned to engage on an extensive costing exercise with a view to review.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2017/18 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and the operational cost of District expense for the water pumps. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

Table 1 Overview of the 2017/18 MTREF – Parent Municipality

R thousand	Adjustments Budget 2016/17	Budget Year 2017/18	Budget Year + 1 2018/19	Budget Year +2 2019/20
Total Operating Revenue	R 375 831 000	R 376 809 000	R 410 661 000	R 440 538 000
Total Operating Expenditure	R 437 564 000	R 391 708 000	R 424 954 000	R 444 662 000
(Surplus)/ Deficit for the year	R - 61 733 000	R - 14 899 000	R - 14 292 000	R - 4 125 000
Total Capital Expenditure	R 309 101 000	R 387 323 000	R 419 778 000	R 420 072 000

Total operating revenue for the Parent municipality has been increased by 0,002% per cent or R984 000 for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 9 % and 7 % per cent respectively, equating to a total revenue growth of R63, 7m over the MTREF when compared to the 2017/18 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R391 million. When compared to the 2016/17 Adjustments Budget, operational expenditure has decreased by 10% per cent in the 2017/18 budget. The operating deficit for the 2017/18 decreases by R 46, 8m and decreased by a R607 000k in 2018/19 then shows a huge decrease again in 2019/2020 by R 10m. These deficits are caused by non-cash items which are depreciation and bad debts and the amount for 2017/2018 deficit is at R 14, 8m whereas depreciation is at R34m.

The capital budget of R393 million for 2017/18 is 25% per cent more when compared to the 2016/17 Adjustment Budget. The increase is due to various grants gazzetted or received for the 2017/18 financial year to improve the backlog of water and sanitation within the district. The capital programme increases to R419, 7million in the 2018/19 financial year and R420 million in 2019/20 financial year. The capital budget is largely funded from the Government Grants and Subsidies in the MTREF.

Table 2 below presents a consolidated overview of the 2017/18 budget.

Table 2 Consolidated Overview of the 2017/18 MTREF

R thousand	Adjustments Budget 2016/17	Budget Year 2017/18	Budget Year + 1 2018/19	Budget Year +2 2019/20
Total Operating Revenue	R 398 073 000	R 377 214 000	R 411 086 000	R 440 985 000
Total Operating Expenditure	R 442 770 000	R 391 812 000	R 424 963 000	R 444 610 000
(Surplus)/ Deficit for the year	R - 44 696 000	R - 14 598 000	R - 13 877 000	R - 3 626 000
Total Capital Expenditure	R 313 344 000	R 394 134 000	R 426 393 000	R 425 453 000

The trends depicted by the table above follow a similar trend to that outlined above in the parent municipality analysis.

1.4 OPERATING REVENUE FRAMEWORK

For Harry Gwala District Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for water and sanitation service charges in the MTREF;
- Achievement in the long term of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the district.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Service charges - water revenue	34 233	38 780	38 329	40 714	35 488	35 488	40 373	39 269	41 625	44 122
Service charges - sanitation revenue	14 671	16 620	16 461	17 449	15 209	15 209	15 209	16 122	17 089	18 114
Service charges - other			1 032	2 391	1 558	1 558	1 558			
Interest earned - external investments	3 344	3 476	3 375	3 500	5 500	5 500	5 500	5 830	3 500	4 000
Interest earned - outstanding debtors	5 638	7 446	8 000	8 500	15 158	15 158	15 158	9 000	9 540	10 112
Transfers and subsidies	288 184	282 197	260 403	277 632	300 862	300 862	300 862	303 439	336 126	361 280
Other revenue	1 859	1 382	1 098	609	2 057	2 057	2 057	3 150	2 781	2 909
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	347 929	349 901	328 699	350 794	375 831	375 831	380 717	376 809	410 661	440 538

Table 4 Percentage growth in revenue by main revenue source

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Current Year		2017/18 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year +1 2018/19	%	Budget Year +2 2019/20	%
Revenue By Source								
Service charges - water revenue	35 488	9%	39 269	10%	41 625	10%	44 122	10%
Service charges - sanitation revenue	15 209	4%	16 122	4%	17 089	4%	18 114	4%
Service charges - other	1 558	0%						
Interest earned - external investments	5 500	1%	5 830	2%	3 500	1%	4 000	1%
Interest earned - outstanding debtors	15 158	4%	9 000	2%	9 540	2%	10 112	2%
Transfers and subsidies	300 862	80%	303 439	81%	336 126	82%	361 280	82%
Other revenue	2 057	1%	3 150	1%	2 781	1%	2 909	1%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	375 831	100%	376 809		410 661		440 538	
Total Revenue from Rates & Service Charges	52 255	14%	55 390	15%	58 714	14%	62 237	14%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from services charges forms a small percentage of the revenue basket for the District. Service charges revenue comprises a mere 14% of the total revenue mix. In the 2017/18 financial year, revenue from service charges totaled R 52, 2m or 9% per cent. This increases to R55, 3m, R58, 7m, R62, 2m in the respective financial years of the MTREF. A notable trend is the constant pattern in the total percentage revenue generated from services charges which averaging 14% in the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1

Other revenue for 2017/2018 financial year totaling to R2million and 2018/2019 increased by 2 per cent R1m in monetary and increase to R1million in the outer years. The reason for the drastic decrease in other revenue is caused by moving of other line items from capital budget to operating budget in 2016/2017 financial year.

Operating grants and transfers totals R303, 4m in the 2017/18 financial year and steadily increases to R336m 2018/19 and R361, 2m in 2019/20. Note that the year-on-year growth on the operational grants for the 2017/18 financial year is 0,002% per cent and then flattens out to 9 % and 7 % per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 5 Operating Transfers and Grant Receipts

DC43 Harry Gwala - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year									
Current year receipts	287 887	281 447	280 041	277 232	300 862	300 862	303 439	335 626	360 780
Conditions met - transferred to revenue	287 887	281 447	280 041	277 232	300 862	300 862	303 439	335 626	360 780
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts	297	750	1 100	400	-	-	-	500	500
Conditions met - transferred to revenue	297	750	1 100	400	-	-	-	500	500
Conditions still to be met - transferred to liabilities									
Conditions still to be met - transferred to liabilities									
Total operating transfers and grants revenue	288 184	282 197	281 141	277 632	300 862	300 862	303 439	336 126	361 280
Capital transfers and grants:									
National Government:									
Current year receipts	195 511	232 136	238 981	335 772	299 101	299 101	387 323	419 778	420 072
Conditions met - transferred to revenue	195 511	232 136	238 981	335 772	299 101	299 101	387 323	419 778	420 072
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Current year receipts	3 617	-	-	-	10 000	10 000	-	-	-
Conditions met - transferred to revenue	3 617	-	-	-	10 000	10 000	-	-	-
Conditions still to be met - transferred to liabilities									
Total capital transfers and grants revenue	199 128	232 136	238 981	335 772	309 101	309 101	387 323	419 778	420 072
Total capital transfers and grants - CTBM	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE	487 312	514 333	520 122	613 404	609 963	609 963	690 762	755 904	781 352

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the district.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. However, excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Umngeni Water bulk tariffs at 6% are within the mentioned inflation target of 6, 4%. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's rates and in these tariffs are largely outside the control of the District. Discounting the impact of these price increases in lower consumer tariffs will erode the District future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals etc. The current challenge facing the District is managing the gap

between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the District has undertaken the tariff setting process relating to service charges as follows.

Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with District, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2017.

Better maintenance of infrastructure, new construction of Bulwer dam and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umngeni Water has increased its bulk tariffs by a higher than the CPIX increase from 1 July 2017, which increases the District's water input cost tremendously.

Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A tariff increase of 6 per cent from 1 July 2017 for water is proposed. This is based on input cost of 8, 7% increase in the cost of bulk water (Umngeni Water), the cost of other inputs increasing by 6 per cent and a surplus generated on the water service of a minimum 15 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

- Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with District, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2017.

Better maintenance of infrastructure, new construction of Bulwer dam and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umngeni Water has increased its bulk tariffs by a higher than the CPIX increase from 1 July 2012, which increases the District's water input cost tremendously.

Umngeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umngeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise on multi million for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

Residential

Consumption in KL	2016/17		2017/18		Increase	
0-6	N/C		N/C		-	
14 - 20	R	7.16	R	7.59	R	0.43
21-40	R	11.93	R	12.65	R	0.72
41-100	R	13.91	R	14.74	R	0.83
101-200	R	23.06	R	24.44	R	1.38
201+	R	26.24	R	27.81	R	1.57
Unmetered flat rate per month	R 70.246		R 74.45		R 4.93	

Commercial & Industrial

Commercial & Industrial						
Consumption Increments in R per KL	2016/17		2017/18		Increase	
0-100	R	10.34	R	10.96	R	0.62
101-200	R	13.91	R	14.74	R	0.83
201-300	R	23.06	R	24.44	R	1.38
301-400	R	24.65	R	26.13	R	1.48
401-500	R	26.24	R	27.81	R	1.57
500+	R	27.83	R	29.50	R	1.67

	Public Service & Government Institutions			Educational Institutions			Agricultural			Geriatric Institutions, Religious organisations, NPO & recreational facilities.		
Consumption Increments in R per KL	2016/17	2017/18	Increase	2016/17	2017/18	Increase	2016/17	2017/18	Increase	2016/17	2017/18	Increase
0-6	R 10.34	R 10.96	R 0.62	R 10.96	R 10.34	R 0.62	R 10.34	R 10.96	R 0.62	N/C	N/c	-
7-100	R 10.34	R 10.96	R 0.62	R 10.96	R 10.34	R 0.62	R 10.34	R 10.96	R 0.62	R 10.34	R 10.96	R 0.62
101-200	R 13.91	R 14.74	R 0.83	R 14.74	R 13.91	R 0.83	R 13.91	R 14.74	R 0.83	R 13.91	R 14.74	R 0.83
201-300	R 23.06	R 24.44	R 1.38				R 23.06	R 24.44	R 1.38	R 23.06	R 24.44	R 1.38
301-400	R 24.65	R 26.13	R 1.48				R 24.65	R 26.13	R 1.48	R 24.65	R 26.13	R 1.48
401-500	R 26.24	R 27.81	R 1.57				R 26.24	R 27.81	R 1.57	R 26.24	R 27.81	R 1.57
500+	R 27.83	R 29.50	R 1.67				R 27.83	R 29.50	R 1.67	R 27.83	R 29.50	R 1.67

Road tanker Delivery				Static tank hire per day		
Road Tanker Delivery of Water	2016/17	2016/17	Increase	2016/17	2017/18	Increase
2500 l	R1,749.39	R1,854.35	R104.96	R159.03	R168.58	R9.55
5000 l	R2,385.54	R2,528.67	R143.13	R397.59	R421.44	R23.85
7500 l	R2,783.12	R2,950.11	R166.99	R556.62	R590.02	R33.40
10 000 l	R3,339.75	R3,540.14	R200.39	R795.18	R842.89	R47.71
Del. Charge	R318.07	R337.15	R19.08	R318.07	R337.15	R19.68

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Deposit per meter				New water meter			Disconnection and Reconnection		
Misc. water related tariffs given in pipe diameter	2016/17	2017/18	Increase	2016/17	2017/18	Increase	2016/17	2017/18	Increase
15 mm	R954.22	R1, 011.47	R57.25	R954.22	R1 011.47	R57.25	R477.10	R505.73	R28.63
20 mm	R1,192.77	R1,264.33	R71.56	R1,351.80	R1,432.91	R81.11	R636.14	R674.31	R38.17
50 mm	R1,590.35	R1,685.78	R95.43	R1,669.87	R1,770.06	R100.19	R1,192.77	R1,264.33	R71.56
100 mm	R2,385.54	R2,528.67	R143.13	R2,783.12	R2,950.11	R166.99	R1,590.35	R1,685.78	R95.43
110 mm +	R3,180.71	R3,371.55	R190.84	R3,975.89	R4,214.45	R238.56	R1,987.95	R2, 107.23	R119.28

Table 7 Comparison between current water charges and increases (Domestic)

Domestic (Metered)					
Consumption Increments in R per Kl	2016/17	2017/18		Increase	
0-6	N/C	N/C			
7-20	R7.16	R	7.59	R	0.43
21-40	R 11.93	R	12.65	R	0.72
41-100	R 13.91	R	14.74	R	0.83
101-200	R 23.06	R	24.44	R	1.38
201 +	R 26.24	R	27.81	R	1.57

The tariff structure of the 2017/18 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R26.24 per kilolitre for consumption in excess of 201kl per 30 day period.

Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 17 is proposed. This is based on the input cost assumptions related to water. It should be noted that District costs contributes approximately 20 per cent of waste water treatment input costs, therefore the CPI increase of 6.4 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;

The total revenue expected to be generated from rendering this service amounts to R55million for the 2017/18 financial year.

The following table compares the current and proposed tariffs:

Table 8 Comparison between current sanitation charges and increases

Conservancy tank clearance on site				Sceptic tank clearance on site			Disposal into municipal reticulation system		
Static sanitation system given per load	2016/17	2017/18	Increase	2016/17	2017/18	Increase	2016/17	2017/18	Increase
Per load	R333.98	R352.04	R18.06	R1095.76	R1033.73	R62.03	R333.98	R352.04	R18.06
Transport per km	R10.34	R10.96	R0.62	R10.34	R10.96	R0.62			

New connections

Disconnect/Reconnection IRO credit control

Misc. sanitation related tariffs given in service pipe diameter	2016/17	2017/18	Increase	2016/17	2017/18	Increase
Up to 600 mm	R 3,180.71	R 3,371.55	R 190.84	R 795.18	R 842.89	R 47.71
600 mm -1200 mm	R 3,975.89	R 4,214.45	R 238.56	R 1 192.77	R 1 264.33	R 71.56
1200 mm +	R 5 566.25	R 5, 900.22	R 333.97	R 1 590.35	R 1 685.78	R 95.43

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 9 Comparison between current sanitation charges and increases, single dwelling- houses

Misc. sanitation related tariffs given in service pipe diameter	2016/17	2017/18	Increase
New Connections			
Up to 600 mm	R 3,180.71	R 3,371.55	R 190.84
Up to 1 200 mm	R 3,975.89	R 4,214.45	R 238.56
1 201 mm +	R 5 566.25	R 5, 900.22	R 333.97
Disconnect / Connect			
Up to 600 mm	R 795.18	R 842.89	R 47.71
Up to 1 200 mm	R 1 192.77	R 1 264.33	R 71.56
1 200 mm +	R 1 590.35	R 1 685.78	R 95.43

Sanitation costs given in terms of water consumption	2016/17	2017/18	Increase
Water borne systems			
0-200 Kl	R5.25	R5.90	R0.65
201 Kl +	R6.75	R7.59	R0.84
Shayamoya, Bhongweni and Fairview			
0-200 Kl			
200 Kl +			
Unmetered / flat rate per month	R51.54	R57.91	R6.37

Overall impact of tariff increases on households

Property development costs, I.R.O water and sanitation delivery reticulation given in number of sub-divisions Per Sub-Division Clearance Certificate	2016/17	2017/18	Increase
1 Site	R9,224.07	R9,777.51	R553.44
2-5 Sites	R5,566.25	R5,900.22	R333.97
6-10 Sites	R3,180.71	R3,371.55	R190.84
11-20 + Sites	R1,908.42	R2,022.55	R114.13
Clearance certificate	R147.26	R156.09	R8.83

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at an average of 6 per cent, with the same increase for indigent households.

Table 10 MBRR Table SA14 – Household bills

DC43 Harry Gwala - Supporting Table SA14 Household bills

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18 % incr.	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent										
Monthly Account for Household - 'Middle Income Range'										
Rates and services charges:										
Water: Basic levy	2,79	2,95	2,95	3,45	3,45	3,45	6,0%	3,66	3,88	4,11
Water: Consumption	222,92	236,30	236,30	275,62	275,62	275,62	6,0%	292,16	309,69	328,27
Sanitation	100,15	106,16	106,16	123,82	123,82	123,82	6,0%	131,25	139,12	147,47
sub-total	325,86	345,41	345,41	402,89	402,89	402,89	6,0%	427,07	452,69	479,85
VAT on Services								57,61	59,31	61,01
Total large household bill:	325,86	345,41	345,41	402,89	402,89	402,89	20,3%	484,68	512,00	540,86
% increase/-decrease		6,0%	-	16,6%	-	-		20,3%	5,6%	5,6%
Monthly Account for Household - 'Affordable Range'										
Rates and services charges:										
Water: Basic levy	2,79	2,96	2,96	3,45	3,45	3,45	6,0%	3,66	3,88	4,11
Water: Consumption	185,77	196,92	196,92	229,68	229,68	229,68	6,0%	243,46	258,07	273,55
Sanitation	83,45	88,46	88,46	103,18	103,18	103,18	6,0%	109,37	115,93	122,89
sub-total	272,01	288,33	288,33	336,31	336,31	336,31	6,0%	356,49	377,88	400,55
VAT on Services	37,69	37,69	39,95	46,60	46,60	46,60		50,05	53,51	56,97
Total small household bill:	309,70	326,02	328,28	382,91	382,91	382,91	6,2%	406,54	431,39	457,52
% increase/-decrease		5,3%	0,7%	16,6%	-	-		6,2%	6,1%	6,1%
			-0,87	22,99	-1,00	-				

1.5 OPERATING EXPENDITURE FRAMEWORK

Harry Gwala District Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

1. The asset renewal strategy and the repairs and maintenance plan;
2. Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
3. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
4. The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
5. Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
6. Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification item

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type										
Employee related costs	99 943	110 210	125 030	125 313	133 598	133 598	133 598	144 502	156 062	168 547
Remuneration of councillors	5 249	5 688	6 038	7 906	7 906	7 906	7 906	8 539	9 222	9 960
Debt impairment	23 206	11 653	25 567	25 394	25 394	25 394	25 394	27 843	29 513	31 284
Depreciation & asset impairment	37 050	39 754	40 583	31 874	42 534	42 534	42 534	34 286	36 882	39 680
Finance charges	3 510	3 711	2 884	1 926	2 010	2 010	2 010	2 000	2 118	2 241
Bulk purchases	9 487	8 947	16 096	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Contracted services	23 659	51 144	83 411	44 923	28 075	28 075	28 075	22 768	22 864	20 799
Transfers and subsidies	14 808	16 501	18 096	20 000	17 333	17 333	17 333	20 000	21 100	22 218
Other expenditure	159 420	136 842	136 547	114 358	170 006	170 006	170 006	120 418	135 170	137 216
Loss on disposal of PPE	25 116	9 953	1 529							
Total Expenditure	401 448	394 403	455 781	382 404	437 564	437 564	437 564	391 708	424 954	444 662

The budgeted allocation for employee related costs for the 2017/18 financial year totals R144, 5 m, which equals 37% per cent of the total operating expenditure, consolidated employee related costs for the 2017/2018 financial year totals to R160, 3million. Based on the three year collective agreement, salary increases have been factored into this budget at a percentage increase of 8% as per the salary wage collective agreement started in 2015/16 and end to 2017/18. An annual increase of 8 per cent has been included in the next 2017/18 MTREF. Harry Gwala District Municipality budgeted at 8% salary increase for 2017/2018 financial year as per salary wage collective agreement. As part of the district's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of the critical and strategically important vacancies as well as the inclusion of the staff to be transferred to the Municipality by the Provincial Health Department. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

1. **The cost associated with the remuneration of councilors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.
2. **The provision of debt impairment** was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R27m and R29m for 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
3. **Provision for depreciation and asset impairment** has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R34m for the 2017/18 financial and equates to 9% per cent of the total operating expenditure. Depreciation for the budget year represents an increase from the 2016/17 original budgets due to a number of projects or assets that are still on work in progress.
4. **Finance charges** consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1% per cent of operating expenditure. As previously noted, the District has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing. In 2013/14 the municipality paid off the Greater Kokstad infrastructure upgrade DBSA loan. The other loans from DBSA was settled in June 2016 and Absa in 2020/21 financial years respectively.
5. **Bulk purchases** are directly informed by the purchase of water from Umngeni Water in the Ubuhlebezwe area. The annual price increases of 8, 7% have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

6. **Contracted services** have been identified as a cost saving area for the Municipality. As part of the compilation of the 2017/18 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2017/18 financial year, this group of expenditure totals R22, 8 million showing a decrease of 6 % from 2016/17, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 5% per cent of total operating expenditure. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2017/18 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1.
7. **Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been decreased by 31% per cent from the adjusted budget for 2017/18 and curbed 1% per cent increases for the two outer years, indicating that significant cost savings or containment measures have been already realised. Further details relating to contracted services and other expenditure can be seen in Table MBRR SA1.

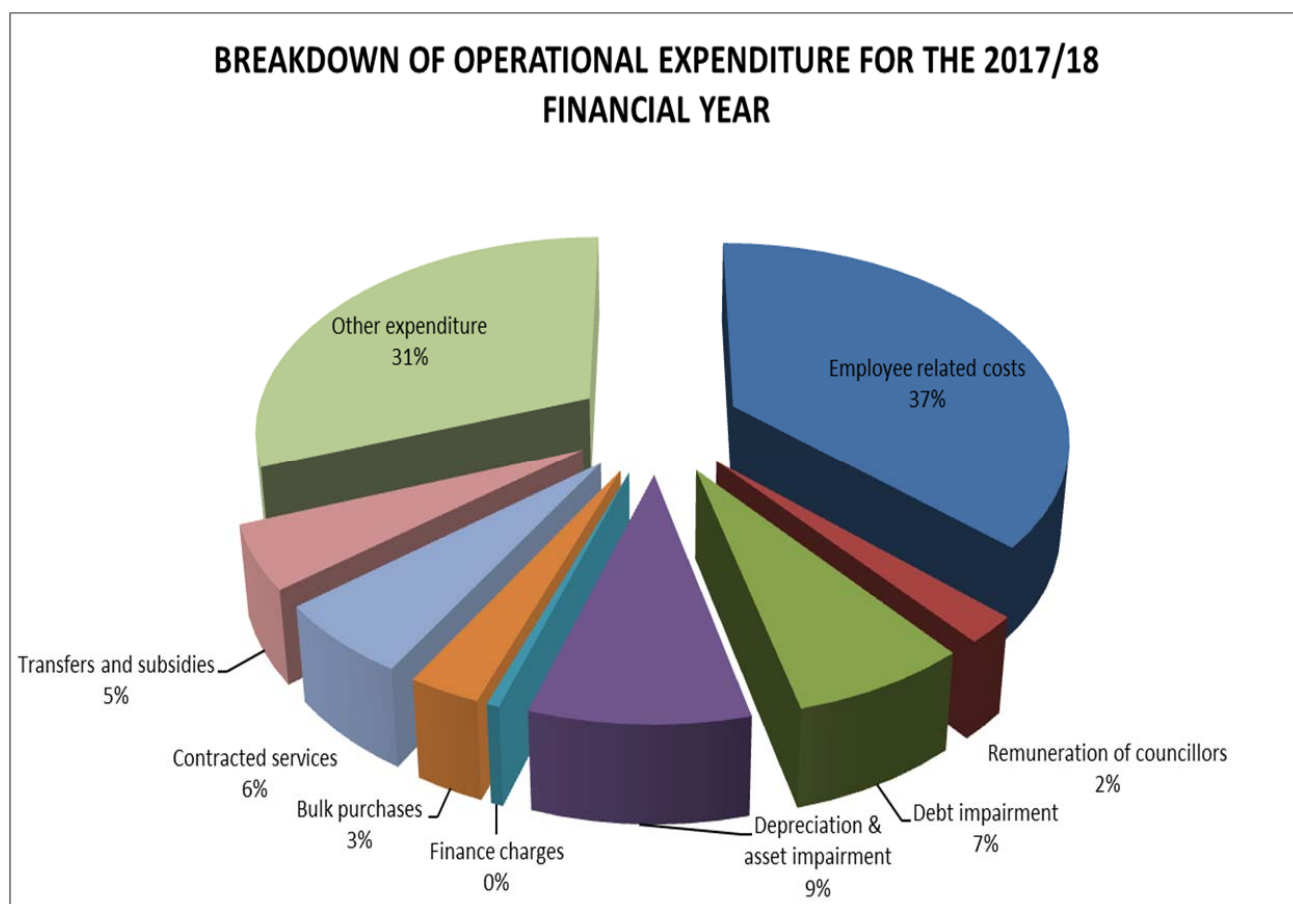


Figure 1 Main operational expenditure categories for the 2017/18 financial year

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the district's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the district. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 12 Operational repairs and maintenance

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Repairs and Maintenance by Expenditure Item										
Employee related costs	29 493	35 127	36 938	44 396	44 396	44 396	44 396	51 894	56 045	60 529
Other materials	26 476	24 589	25 856	31 077	31 077	31 077	31 077	33 116	35 069	37 103
Contracted Services	5 899	7 025	7 388	8 879	8 879	8 879	8 879	200	212	224
Other Expenditure	2 949	3 513	3 694	4 440	4 440	4 440	4 440	2 353	2 483	2 627
Total Repairs and Maintenance Expenditure	64 817	70 254	73 875	88 791	88 791	88 791	88 791	87 562	93 809	100 483

During the compilation of the 2017/18 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the district infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially decreased by 1 per cent in the 2017/18 financial year, from R87, 5 million to R100, 4 million. During the 2016 Adjustment Budget this allocation was not adjusted it was still the same as original amounted to R88, 7 million taking into account the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2017/18 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2017/18 equates to R87, 5 million showing a reduction of 1 per cent in relation to the Adjustment Budget and grows at 7% in the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 7 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 13 Repairs and maintenance per asset class

DC43 Harry Gwala - Table A9 Asset Management

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE OTHER ITEMS									
Depreciation	37 050	39 754	40 583	31 874	42 534	42 534	42 534	34 286	36 882
Repairs and Maintenance by Asset Class	64 817	70 254	73 875	88 791	88 791	88 791	88 791	87 562	93 809
Water Supply Infrastructure	38 412	40 716	48 590	58 400	58 400	58 400	58 400	57 592	61 701
Sanitation Infrastructure	26 405	27 990	21 600	25 961	26 202	26 382	26 202	25 839	27 682
Infrastructure	64 817	68 706	70 190	84 362	84 602	84 782	84 602	83 431	89 383
Operational Buildings	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Other Assets	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Computer Equipment	-	357	150	180	180	-	180	178	190
Transport Assets	-	596	200	240	1 000	1 000	1 000	986	1 057
TOTAL EXPENDITURE OTHER ITEMS	101 867	110 008	114 458	120 666	131 325	131 325	131 325	121 848	130 691

For the 2017/18 financial year, R88million of total repairs and maintenance will be spent on infrastructure assets. This signifies the implementation of the municipality's plans of maintaining its infrastructure levels high to ensure uninterrupted service delivery.

Table A9 reveals a decreasing trend in the percentage of Repairs & Maintenance as a percentage of Property, Plant & Equipment. This is due to a higher rate of monetary increase in the PPE balances as compared to the monetary increases in the Repairs & Maintenance budget.

The challenge noted above of a higher increase in the capital budget than the repairs & maintenance budget is mainly attributable to a higher grant funded infrastructural spending than the increase in own revenue sources that fund the repairs and maintenance budget.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the district Indigent Policy. The target is to register 27 000 or more indigent households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 14 2017/18 Medium-term capital budget per vote

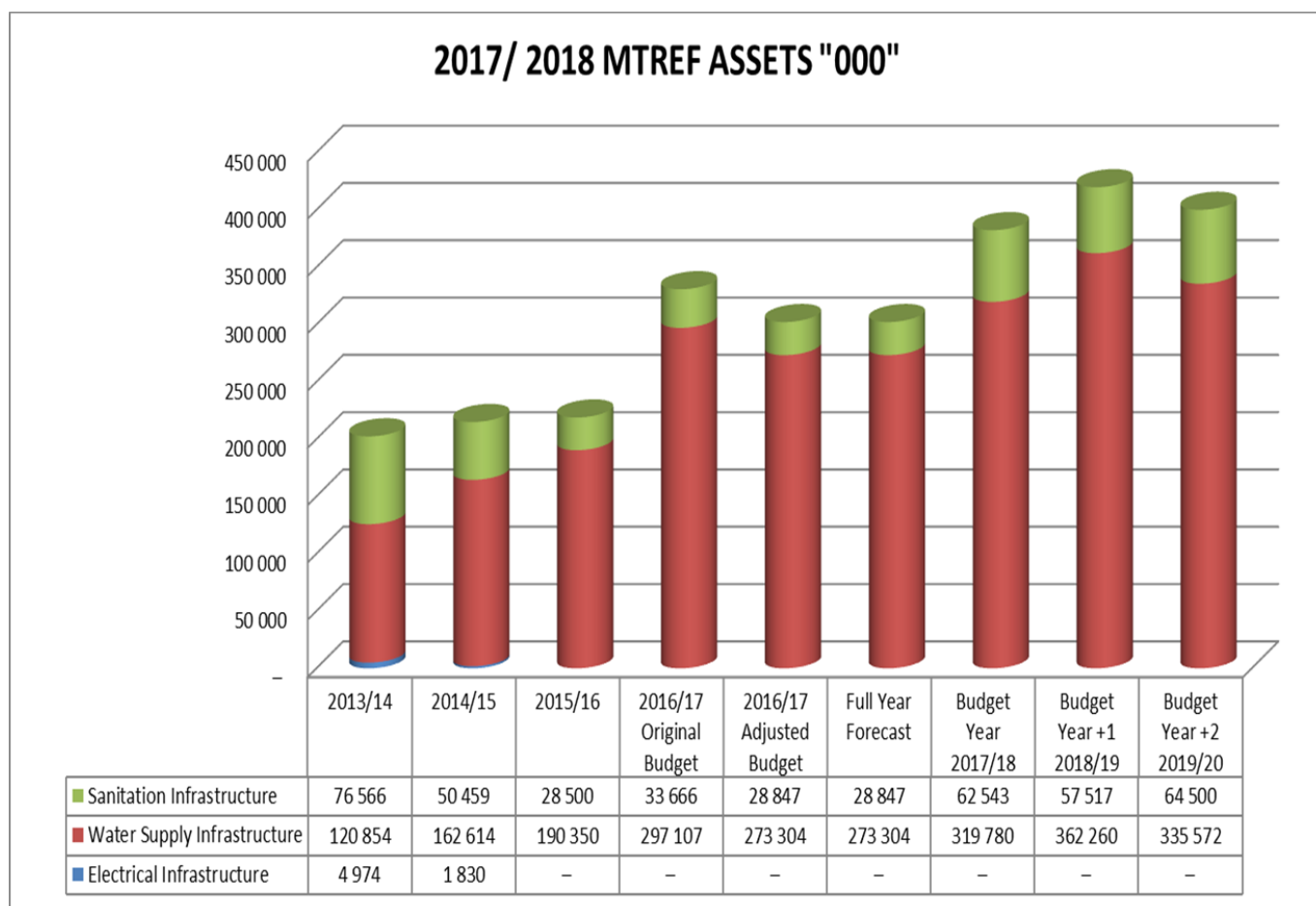
DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote										
Multi-year expenditure to be appropriated										
Vote 1 - Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	24 139	2 626	412	4 624	2 732	2 732	2 732	4 110	1 900	650
Vote 5 - Social & Development Planning	957	800	400	1 117	-	-	-	-	-	-
Vote 6 - Infrastructure Services	192 629	231 868	238 581	337 272	299 101	299 101	299 101	387 323	419 778	420 072
Vote 7 - Water Services	-	3 651	3 163	5 042	10 000	10 000	10 000	2 400	4 400	4 400
Capital multi-year expenditure sub-total	217 725	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122

For 2017/18 an amount of R393 million, consolidated R394m has been appropriated for the development of infrastructure which represents 97% of the total capital budget. In the outer years this amount totals R426million, 98% and R425 million, 98% respectively for each of the financial years.

Total new assets represent 97 per cent or R393million of the total capital budget while asset renewal equates to 1% per cent or R5million. Further detail relating to asset classes and proposed capital expenditure is contained in Table MBRR A9 (Asset Management). In addition to the MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Refer to table MBRR SA36 for the detailed listing of the capital projects.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table MBRR SA35. This table shows that future operational costs associated with the capital programme totals R25 million in 2016/17 and escalates to R33, 5million by 2017/18. This concomitant operational expenditure is expected to escalate to R37, 8 million by 2018/19. It needs to be noted that as part of the 2016/17 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

DC43 Harry Gwala - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	48 905	55 400	42 927	60 553	52 255	52 255	57 140	55 390	58 714	62 237
Investment revenue	3 344	3 476	3 071	3 500	5 500	5 500	5 500	5 830	3 500	4 000
Transfers recognised - operational	288 184	282 197	281 141	277 632	300 862	300 862	300 862	303 439	336 126	361 280
Other own revenue	7 497	8 828	10 853	9 109	17 215	17 215	17 215	12 150	12 321	13 021
Total Revenue (excluding capital transfers and contributions)	347 929	349 901	337 991	350 794	375 831	375 831	380 717	376 809	410 661	440 538
Employee costs	99 943	110 210	125 030	125 313	133 598	133 598	133 598	144 502	156 062	168 547
Remuneration of councillors	5 249	5 688	6 038	7 906	7 906	7 906	7 906	8 539	9 222	9 960
Depreciation & asset impairment	37 050	39 754	40 583	31 874	42 534	42 534	42 534	34 286	36 882	39 680
Finance charges	3 510	3 711	2 884	1 926	2 010	2 010	2 010	2 000	2 118	2 241
Materials and bulk purchases	9 487	8 947	16 096	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Transfers and grants	14 808	16 501	18 096	20 000	17 333	17 333	17 333	20 000	21 100	22 218
Other expenditure	231 401	209 593	247 054	184 675	223 474	223 474	223 474	171 029	187 548	189 298
Total Expenditure	401 448	394 403	455 781	382 404	437 564	437 564	437 564	391 708	424 954	444 662
Surplus/(Deficit)	(53 519)	(44 502)	(117 790)	(31 610)	(61 733)	(61 733)	(56 847)	(14 899)	(14 292)	(4 125)
Transfers and subsidies - capital (monetary allocations) (National Government)	146 077	218 421	250 992	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	92 558	173 919	133 203	304 163	247 368	247 368	252 254	372 425	405 485	415 947
Surplus/(Deficit) for the year	92 558	173 919	133 203	304 163	247 368	247 368	252 254	372 425	405 485	415 947
Capital expenditure & funds sources										
Capital expenditure	217 866	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122
Transfers recognised - capital	199 128	232 136	238 981	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Internally generated funds	18 738	6 809	3 575	12 282	2 732	2 732	2 732	6 510	6 300	5 050
Total sources of capital funds	217 866	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122
Financial position										
Total current assets	45 472	58 337	52 730	96 627	67 392	67 392	67 392	72 871	128 716	197 547
Total non current assets	1 279 563	1 471 917	1 672 277	1 914 112	1 877 891	1 877 891	1 877 891	2 236 509	2 625 521	3 010 780
Total current liabilities	116 668	153 958	217 491	60 999	233 003	233 003	233 003	43 154	42 334	40 089
Total non current liabilities	41 121	39 153	37 169	29 859	29 859	29 859	29 859	12 353	8 657	4 555
Community wealth/Equity	1 167 246	1 337 143	1 470 346	1 919 882	1 682 421	1 682 421	1 682 421	2 253 872	2 703 246	3 163 683
Cash flows										
Net cash from (used) operating	203 264	240 677	226 076	225 416	279 413	279 413	279 413	378 499	431 088	443 691
Net cash from (used) investing	(188 113)	(237 448)	(242 358)	(310 943)	(274 721)	(274 721)	(274 721)	(351 024)	(379 681)	(378 693)
Net cash from (used) financing	(5 863)	(6 833)	(3 770)	(2 822)	(4 369)	(4 369)	(4 369)	(3 130)	(3 471)	(3 848)
Cash/cash equivalents at the year end	29 474	25 871	5 819	(68 472)	6 142	6 142	6 142	29 345	77 281	138 431

DC43 Harry Gwala - Table A1 Budget Summary

Description R thousands	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash backing/surplus reconciliation										
Cash and investments available	29 474	25 871	5 819	35 377	6 142	6 142	6 142	29 345	77 281	138 431
Application of cash and investments	112 341	129 136	196 061	17 433	180 942	180 942	183 383	16 477	12 694	5 262
Balance - surplus (shortfall)	(82 866)	(103 264)	(190 242)	17 943	(174 800)	(174 800)	(177 241)	12 869	64 587	133 170
Asset management										
Asset register summary (WDOV)	1 279 563	1 471 917	1 672 277	1 914 112	1 877 891	1 877 891	2 236 509	2 236 509	2 625 521	3 010 780
Depreciation	37 050	39 754	40 583	31 874	42 534	42 534	42 534	42 534	34 286	36 882
Renewal of Existing Assets	6 525	4 580	12 656	5 000	2 850	2 850	2 850	5 000	-	20 000
Repairs and Maintenance	64 817	70 254	73 875	88 791	88 791	88 791	88 791	88 791	87 562	93 809
Free services										
Cost of Free Basic Services provided	4 455	5 006	5 306	4 886	4 886	4 886	5 625	5 625	5 962	6 320
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	31	32	32	33	33	33	32	32	30	29
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

Table A1 is a budget summary and provides a concise overview of the Harry Gwala district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

A financial management reform emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

1. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF Capital expenditure is balanced by capital funding sources, of which transfers recognised is reflected on the Financial Performance Budget;
2. Internally generated funds are financed from a combination of the current operating surplus and VAT refunds on Conditional Grants. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.

But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2017/18 financial year.

Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2017/18 the water backlog will have been very nearly eliminated.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

DC43 Harry Gwala - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional									
<i>Governance and administration</i>	213 917	252 538	271 054	274 973	284 037	284 037	301 751	333 424	361 236
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	213 917	252 538	271 054	274 973	284 037	284 037	301 751	333 424	361 236
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	742	750	1 100	400	-	-	-	500	500
Planning and development	742	750	1 100	400	-	-	-	500	500
<i>Trading services</i>	279 347	315 034	316 829	411 194	400 895	400 895	462 381	496 515	498 873
Energy sources	-	-	-	-	-	-	-	-	-
Water management	49 182	52 600	56 539	60 550	62 251	62 251	57 897	60 890	64 542
Waste water management	230 165	262 434	260 290	350 644	338 644	338 644	404 484	435 625	434 331
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	494 007	568 322	588 983	686 567	684 932	684 932	764 132	830 439	860 610
Expenditure - Functional									
<i>Governance and administration</i>	122 454	134 765	154 978	143 616	137 169	137 169	141 710	156 016	163 471
Executive and council	16 695	23 099	28 832	29 224	22 463	22 463	27 496	30 189	33 207
Finance and administration	105 759	111 665	126 147	114 393	114 706	114 706	114 213	125 827	130 263
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	67 456	52 368	61 739	58 937	50 845	50 845	59 389	68 335	72 292
Planning and development	67 456	52 368	61 739	58 937	50 845	50 845	59 389	68 335	72 292
<i>Trading services</i>	211 539	207 270	239 064	179 851	249 551	249 551	190 608	200 603	208 900
Energy sources	-	-	-	-	-	-	-	-	-
Water management	105 830	157 332	187 401	146 344	182 845	182 845	151 417	162 274	173 872
Waste water management	105 708	49 938	51 662	33 506	66 705	66 705	39 191	38 328	35 028
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	401 448	394 403	455 781	382 404	437 564	437 564	391 708	424 954	444 662
Surplus/(Deficit) for the year	92 558	173 919	133 203	304 163	247 368	247 368	372 425	405 485	415 947

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for District, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

Other functions show a deficit between revenue and expenditure are being financed from equitable share and other revenue sources reflected under the Budget and Treasury vote.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote									
Vote 1 - Council	–	–	–	–	–	–	–	–	–
Vote 2 - Municipal Manager	–	–	–	–	–	–	–	–	–
Vote 3 - Budget & Treasury Office	213 452	252 538	271 054	274 973	284 037	284 037	301 751	333 424	361 236
Vote 4 - Corporate Services	465	–	–	–	–	–	–	–	–
Vote 5 - Social & Development Planning	742	750	1 100	400	–	–	–	500	500
Vote 6 - Infrastructure Services	230 165	262 434	260 290	350 644	338 644	338 644	404 484	435 625	434 331
Vote 7 - Water Services	49 182	52 600	56 539	60 550	62 251	62 251	57 897	60 890	64 542
Total Revenue by Vote	494 007	568 322	588 983	686 567	684 932	684 932	764 132	830 439	860 610
Expenditure by Vote to be appropriated									
Vote 1 - Council	8 861	10 517	14 159	12 382	9 763	9 763	12 346	13 857	15 669
Vote 2 - Municipal Manager	7 834	12 582	14 673	16 841	12 700	12 700	15 150	16 332	17 538
Vote 3 - Budget & Treasury Office	58 717	63 300	74 711	64 031	59 112	59 112	63 901	72 246	73 221
Vote 4 - Corporate Services	47 042	48 365	51 436	50 362	55 594	55 594	50 312	53 581	57 042
Vote 5 - Social & Development Planning	67 456	52 368	61 739	58 937	50 845	50 845	59 389	68 335	72 292
Vote 6 - Infrastructure Services	105 708	49 938	51 662	33 506	66 705	66 705	39 191	38 328	35 028
Vote 7 - Water Services	105 830	157 332	187 401	146 344	182 845	182 845	151 417	162 274	173 872
Total Expenditure by Vote	401 448	394 403	455 781	382 404	437 564	437 564	391 708	424 954	444 662
Surplus/(Deficit) for the year	92 558	173 919	133 203	304 163	247 368	247 368	372 425	405 485	415 947

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of Harry Gwala Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for water trading services.

Table 18 Surplus/ (Deficit) calculations for the trading services

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote									
Vote 7 - Water Services	49 182	52 600	56 539	60 550	62 251	62 251	57 897	60 890	64 542
Vote 7 - Water Services	105 830	157 332	187 401	146 344	182 845	182 845	151 417	162 274	173 872
Surplus/(Deficit) for the year	(56 648)	(104 733)	(130 862)	(85 794)	(120 594)	(120 594)	(93 520)	(101 384)	(109 330)
Percentage Surplus/Deficit	-87%	-50%	-43%	-71%	-52%	-52%	-62%	-60%	-59%

The municipality currently operates on a deficit in its trading services. This is largely attributable to higher percentage increase in the input cost as compared to the increase in tariffs. The municipality is currently reviewing the costing of the tariff structure with a view to recovering the cost of providing these services and also ensuring financial sustainability.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Service charges - water revenue	34 233	38 780	28 998	40 714	35 488	35 488	40 373	39 269	41 625	44 122
Service charges - sanitation revenue	14 671	16 620	12 897	17 449	15 209	15 209	15 209	16 122	17 089	18 114
Service charges - other			1 032	2 391	1 558	1 558	1 558			
Interest earned - external investments	3 344	3 476	3 071	3 500	5 500	5 500	5 500	5 830	3 500	4 000
Interest earned - outstanding debtors	5 638	7 446	8 664	8 500	15 158	15 158	15 158	9 000	9 540	10 112
Transfers and subsidies	288 184	282 197	281 141	277 632	300 862	300 862	300 862	303 439	336 126	361 280
Other revenue	1 859	1 382	2 189	609	2 057	2 057	2 057	3 150	2 781	2 909
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	347 929	349 901	337 991	350 794	375 831	375 831	380 717	376 809	410 661	440 538
Expenditure By Type										
Employee related costs	99 943	110 210	125 030	125 313	133 598	133 598	133 598	144 502	156 062	168 547
Remuneration of councillors	5 249	5 688	6 038	7 906	7 906	7 906	7 906	8 539	9 222	9 960
Debt impairment	23 206	11 653	25 567	25 394	25 394	25 394	25 394	27 843	29 513	31 284
Depreciation & asset impairment	37 050	39 754	40 583	31 874	42 534	42 534	42 534	34 286	36 882	39 680
Finance charges	3 510	3 711	2 884	1 926	2 010	2 010	2 010	2 000	2 118	2 241
Bulk purchases	9 487	8 947	16 096	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Contracted services	23 659	51 144	83 411	44 923	28 075	28 075	28 075	22 768	22 864	20 799
Transfers and subsidies	14 808	16 501	18 096	20 000	17 333	17 333	17 333	20 000	21 100	22 218
Other expenditure	159 420	136 842	136 547	114 358	170 006	170 006	170 006	120 418	135 170	137 216
Loss on disposal of PPE	25 116	9 953	1 529							
Total Expenditure	401 448	394 403	455 781	382 404	437 564	437 564	437 564	391 708	424 954	444 662
Surplus/(Deficit)	(53 519)	(44 502)	(117 790)	(31 610)	(61 733)	(61 733)	(56 847)	(14 899)	(14 292)	(4 125)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	146 077	218 421	250 992	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Transfers and subsidies - capital (in-kind - all)										
Surplus/(Deficit) after capital transfers & contributions	92 558	173 919	133 203	304 163	247 368	247 368	252 254	372 425	405 485	415 947
Surplus/(Deficit) after taxation	92 558	173 919	133 203	304 163	247 368	247 368	252 254	372 425	405 485	415 947
Surplus/(Deficit) attributable to municipality	92 558	173 919	133 203	304 163	247 368	247 368	252 254	372 425	405 485	415 947
Surplus/(Deficit) for the year	92 558	173 919	133 203	304 163	247 368	247 368	252 254	372 425	405 485	415 947

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

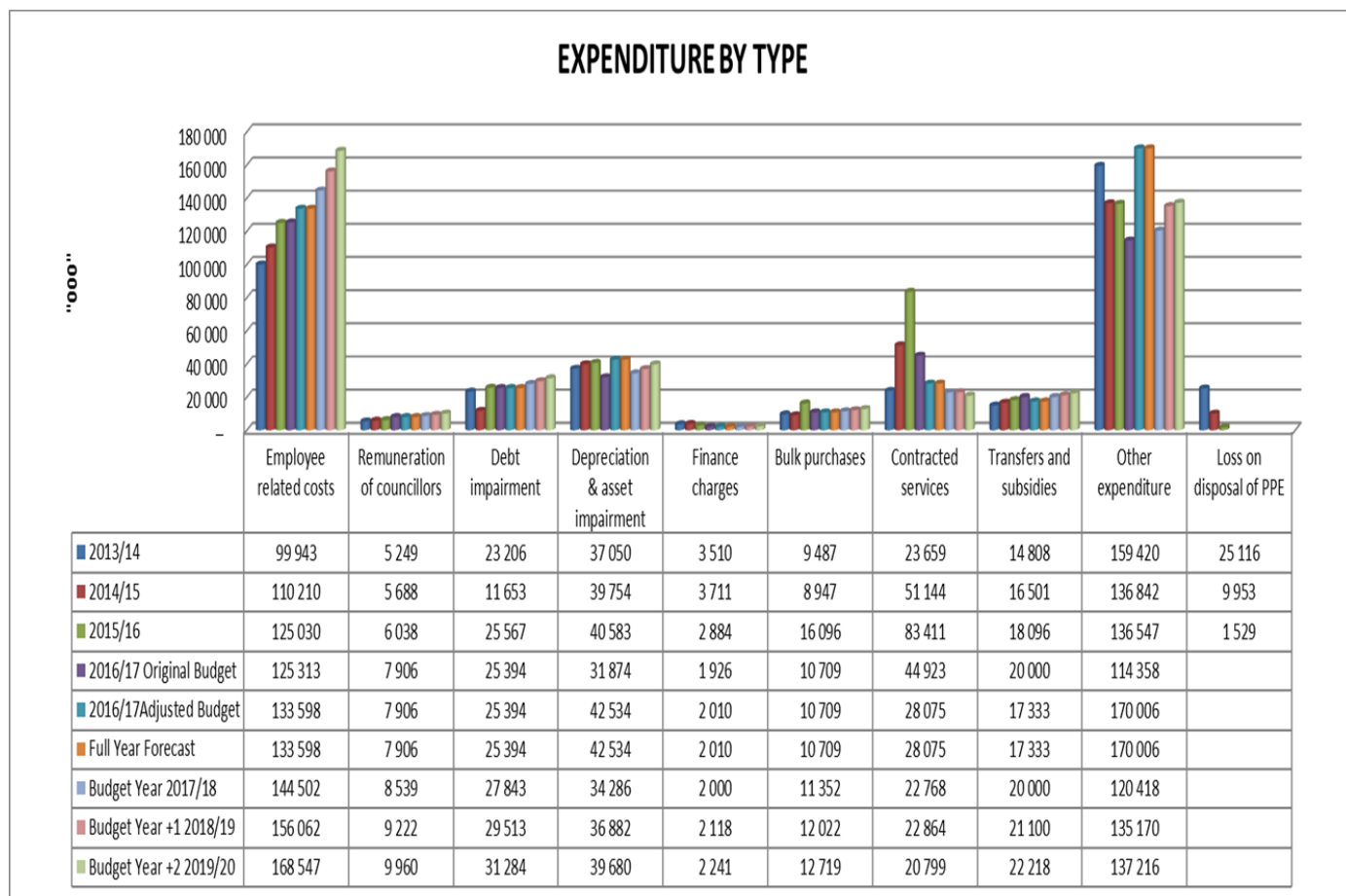
Total operating revenue is R376 million in 2017/18 and escalates to R410 million by 2018/19. This represents an increase of 0.002 per cent for the 2017/18 financial year and an increase of 9 per cent for the 2018/19 and 7 % in 2019/20 financial year.

Services charges relating to water and sanitation constitutes the biggest component of the own revenue basket of the district totaling R55million for the 2017/18 financial year and increasing to R58 million by 2018/19. For the 2017/18 financial year services charges amount to 15% of the total revenue and 14 per cent in 2018/2019 then same percentage in 2019/2020 financial year.

Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government increased by 1% in 2017/2018 and grow rapidly by 11 per cent in 2018/2019 and 7 per cent in the 2019/2020 financial year.

The following graph illustrates the major expenditure items per type.

Figure 2 Expenditure by major type



Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote										
<i>Multi-year expenditure to be appropriated</i>										
Vote 4 - Corporate Services	24 139	2 626	412	4 624	2 732	2 732	2 732	4 110	1 900	650
Vote 5 - Social & Development Planning	957	800	400	1 117	-	-	-	-	-	-
Vote 6 - Infrastructure Services	192 629	231 868	238 581	337 272	299 101	299 101	299 101	387 323	419 778	420 072
Vote 7 - Water Services	-	3 651	3 163	5 042	10 000	10 000	10 000	2 400	4 400	4 400
Capital multi-year expenditure sub-total	217 725	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122
Total Capital Expenditure - Vote	217 725	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122
Capital Expenditure - Functional										
<i>Governance and administration</i>										
Finance and administration	24 280	2 626	412	4 624	2 732	2 732	2 732	4 110	1 900	650
<i>Economic and environmental services</i>										
Planning and development	957	800	400	1 117	-	-	-	-	-	-
<i>Trading services</i>										
Water management	192 629	235 518	241 744	342 314	309 101	309 101	309 101	389 723	424 178	424 472
Waste water management	192 629	231 868	238 581	337 272	299 101	299 101	299 101	387 323	419 778	420 072
Total Capital Expenditure - Functional	217 866	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122
Funded by:										
National Government	184 071	231 336	238 581	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Provincial Government	15 057	800	400							
Transfers recognised - capital	199 128	232 136	238 981	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Internally generated funds	18 738	6 809	3 575	12 282	2 732	2 732	2 732	6 510	6 300	5 050
Total Capital Funding	217 866	238 945	242 556	348 054	311 833	311 833	311 833	393 833	426 078	425 122

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year appropriation); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2017/18 R393, 3million has been allocated of the total R387, a 3million infrastructural budget, which totals 97 per cent. This capital budget allocation escalates to R419, 7 million in 2018/19 and then increase to R420 million in 2019/20.

Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the District. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

The capital programme is funded mainly from national and provincial grants and subsidies. For 2017/18 capital transfers totals R393 million and escalates to R426 million by 2018/19 and then in 2019/2020 decrease to R425million. No borrowing applications are expected to result in the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 21 MBRR Table A6 - Budgeted Financial Position

DC43 Harry Gwala - Table A6 Budgeted Financial Position

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS										
Current assets										
Cash	29 474	25 871	5 819	35 377	6 142	6 142	6 142	29 345	77 281	138 431
Call investment deposits	–	–	–	–	–	–	–	–	–	–
Consumer debtors	6 928	25 704	25 219	48 078	48 078	48 078	48 078	36 156	43 749	51 797
Other debtors	8 800	6 499	21 500	12 789	12 789	12 789	12 789	7 107	7 423	7 057
Current portion of long-term receivables	–	–	–	–	–	–	–	–	–	–
Inventory	269	263	192	384	384	384	384	263	263	263
Total current assets	45 472	58 337	52 730	96 627	67 392	67 392	67 392	72 871	128 716	197 547
Non current assets										
Investment in Associate	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	1 278 956	1 470 993	1 671 720	1 912 816	1 876 595	1 876 595	1 876 595	2 236 142	2 625 338	3 010 780
Intangible	607	924	557	1 296	1 296	1 296	1 296	366	183	–
Other non-current assets	–	–	–	–	–	–	–	–	–	–
Total non current assets	1 279 563	1 471 917	1 672 277	1 914 112	1 877 891	1 877 891	1 877 891	2 236 509	2 625 521	3 010 780
TOTAL ASSETS	1 325 035	1 530 254	1 725 007	2 010 739	1 945 283	1 945 283	1 945 283	2 309 379	2 754 237	3 208 327
LIABILITIES										
Current liabilities										
Bank overdraft	–	–	–	–	–	–	–	–	–	–
Borrowing	3 415	5 847	7 525	3 330	3 330	3 330	3 330	3 697	4 102	4 555
Consumer deposits	1 114	1 257	1 346	1 593	1 593	1 593	1 593	1 794	2 019	2 273
Trade and other payables	111 932	146 494	208 021	51 770	223 775	223 775	223 775	36 645	34 480	30 316
Provisions	207	360	599	4 305	4 305	4 305	4 305	1 019	1 732	2 945
Total current liabilities	116 668	153 958	217 491	60 999	233 003	233 003	233 003	43 154	42 334	40 089
Non current liabilities										
Borrowing	27 193	22 481	17 231	12 353	12 353	12 353	12 353	12 353	8 657	4 555
Provisions	13 928	16 672	19 938	17 506	17 506	17 506	17 506	–	–	–
Total non current liabilities	41 121	39 153	37 169	29 859	29 859	29 859	29 859	12 353	8 657	4 555
TOTAL LIABILITIES	157 789	193 111	254 661	90 858	262 862	262 862	262 862	55 508	50 990	44 644
NET ASSETS	1 167 246	1 337 143	1 470 346	1 919 882	1 682 421	1 682 421	1 682 421	2 253 872	2 703 246	3 163 683
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	1 167 246	1 337 143	1 470 346	1 919 882	1 682 421	1 682 421	1 682 421	2 253 872	2 703 246	3 163 683
TOTAL COMMUNITY WEALTH/EQUITY	1 167 246	1 337 143	1 470 346	1 919 882	1 682 421	1 682 421	1 682 421	2 253 872	2 703 246	3 163 683

Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:

1. Call investments deposits;
2. Consumer debtors;
3. Property, plant and equipment;
4. Trade and other payables;
5. Provisions non-current;
6. Changes in net assets; and
7. Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

DC43 Harry Gwala - Table A7 Budgeted Cash Flows

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates								-	-	-
Service charges	23 602	25 156	11 733	30 746	42 081	42 081	42 081	29 911	28 852	30 583
Other revenue	7 497	-	2 034	2 034	305	305	305	1 575	1 391	1 454
Government - operating	277 694	250 668	281 412	260 403	300 862	300 862	300 862	303 439	336 126	361 280
Government - capital	190 609	238 878	250 992	244 290	309 101	309 101	309 101	387 323	419 778	420 072
Interest	3 344	3 476	3 071	8 294	6 538	6 538	6 538	5 830	3 500	4 000
Dividends								-	-	-
Payments										
Suppliers and employees	(281 163)	(257 290)	(304 186)	(298 426)	(360 131)	(360 131)	(360 131)	(327 579)	(335 340)	(349 240)
Finance charges	(3 510)	(16 501)	(16 096)	(1 926)	(2 010)	(2 010)	(2 010)	(2 000)	(2 118)	(2 241)
Transfers and Grants	(14 808)	(3 711)	(2 884)	(20 000)	(17 333)	(17 333)	(17 333)	(20 000)	(21 100)	(22 218)
NET CASH FROM/(USED) OPERATING ACTIVITIES	203 264	240 677	226 076	225 416	279 413	279 413	279 413	378 499	431 088	443 691
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE								-	-	-
Decrease (Increase) in non-current debtors								-	-	-
Decrease (increase) other non-current receivables								-	-	-
Decrease (increase) in non-current investments								-	-	-
Payments										
Capital assets	(188 113)	(237 448)	(242 358)	(310 943)	(274 721)	(274 721)	(274 721)	(351 024)	(379 681)	(378 693)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(188 113)	(237 448)	(242 358)	(310 943)	(274 721)	(274 721)	(274 721)	(351 024)	(379 681)	(378 693)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-	-	-
Borrowing long term/refinancing								-	-	-
Increase (decrease) in consumer deposits				178	178	178	178	200	226	254
Payments										
Repayment of borrowing	(5 863)	(6 833)	(3 770)	(3 000)	(4 547)	(4 547)	(4 547)	(3 330)	(3 697)	(4 102)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5 863)	(6 833)	(3 770)	(2 822)	(4 369)	(4 369)	(4 369)	(3 130)	(3 471)	(3 848)
NET INCREASE/ (DECREASE) IN CASH HELD	9 288	(3 603)	(20 052)	(88 349)	323	323	323	24 345	47 936	61 150
Cash/cash equivalents at the year begin:	20 186	29 474	25 871	19 877	5 819	5 819	5 819	5 000	29 345	77 281
Cash/cash equivalents at the year end:	29 474	25 871	5 819	(68 472)	6 142	6 142	6 142	29 345	77 281	138 431

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

The budgeted cash flow statement is the first measurement in determining if the budget is funded.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. It can be seen that the cash levels of Harry Gwala fell significantly over the 2013/14 to 2014/15 period owing directly to a decrease in cash for the 2015/16 financial year.

As part of the 2015/16 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalisation of spending priorities. Again in 2016/17 the belt tightening strategy continues and the problem with accruals that affected the municipality cash flow has been taken care of and also the municipality took a decision to stop spending on unnecessary items guided by circular 82.

The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Cash and cash equivalents totals R29 million as at the end of the 2017/18 financial year and escalates to R138 million by 2019/20.

Repayment of borrowings totals R3million in the 2017/2018 budget year. The municipality is left with one loan in 2017/2018 financial year which is ABSA loan as we settled or fully recovered DBSA loan.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

DC43 Harry Gwala - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available										
Cash/cash equivalents at the year end	29 474	25 871	5 819	(68 472)	6 142	6 142	6 142	29 345	77 281	138 431
Other current investments > 90 days	(0)	(0)	0	103 849	-	-	-	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	29 474	25 871	5 819	35 377	6 142	6 142	6 142	29 345	77 281	138 431
Application of cash and investments										
Unspent conditional transfers	19 552	7 280	7 551	3 234	3 234	3 234	3 234	6 645	5 980	5 316
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	(4 846)	(12 038)	-	(9 500)	(9 500)	(9 500)	(9 500)	-	-	-
Other working capital requirements	83 707	126 600	188 510	19 895	183 404	183 404	185 845	9 832	6 714	(54)
Other provisions	13 928	7 293	-	3 804	3 804	3 804	3 804	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	112 341	129 136	196 061	17 433	180 942	180 942	183 383	16 477	12 694	5 262
Surplus(shortfall)	(82 866)	(103 264)	(190 242)	17 943	(174 800)	(174 800)	(177 241)	12 869	64 587	133 170

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

From the table it can be seen that for the period 2017/18 to 2018/19 the surplus escalates from R12million to R133 million again in 2019/20.

Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2016/17 Adjusted Budget MTREF was not funded owing to the significant deficit.

As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

According to this schedule, The 2017/18 final budget is funded.

Table 24 MBRR Table A9 - Asset Management

DC43 Harry Gwala - Table A9 Asset Management

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	154 134	211 341	350 547	271 540	243 238	243 238	351 054	404 888	361 252
Infrastructure - Road transport	-	-	-	-	-	-	500	530	562
Infrastructure - Electricity	-	4 971	1 830	-	-	-	8 000	-	-
Infrastructure - Water	114 180	121 050	249 750	231 990	203 688	203 688	297 107	334 045	297 655
Infrastructure - Sanitation	20 078	76 515	79 504	28 500	28 500	28 500	33 666	62 598	55 424
Infrastructure	134 258	202 535	331 085	260 490	232 188	232 188	339 272	397 173	353 641
Community	8 704	-	-	-	-	-	-	-	-
Other assets	10 416	8 605	19 262	9 950	9 950	9 950	10 533	6 710	6 548
Intangibles	756	200	200	1 100	1 100	1 100	1 250	1 005	1 063
Total Renewal of Existing Assets	8 901	6 525	4 580	7 000	7 000	7 000	5 000	5 000	20 000
Infrastructure - Water	1 136	6 525	4 580	7 000	7 000	7 000	5 000	5 000	20 000
Infrastructure - Sanitation	7 765	-	-	-	-	-	-	-	-
Infrastructure	8 901	6 525	4 580	7 000	7 000	7 000	5 000	5 000	20 000
Total Capital Expenditure									
Infrastructure - Road transport	-	-	-	-	-	-	500	530	562
Infrastructure - Electricity	-	4 971	1 830	-	-	-	8 000	-	-
Infrastructure - Water	115 316	127 575	254 331	238 990	210 688	210 688	302 107	339 045	317 655
Infrastructure - Sanitation	27 844	76 515	79 504	28 500	28 500	28 500	33 666	62 598	55 424
Infrastructure	143 160	209 061	335 665	267 490	239 188	239 188	344 272	402 173	373 641
Community	8 704	-	-	-	-	-	-	-	-
Other assets	10 416	8 605	19 262	9 950	9 950	9 950	10 533	6 710	6 548
Intangibles	756	200	200	1 100	1 100	1 100	1 250	1 005	1 063
TOTAL CAPITAL EXPENDITURE - Asset class	163 035	217 866	355 127	278 540	250 238	250 238	356 054	409 888	381 252
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Electricity	5 660	6 295	6 037	6 272	6 272	6 272	7 641	9 221	10 684
Infrastructure - Water	795 492	884 648	1 066 111	1 107 617	1 079 315	1 079 315	1 314 895	1 586 916	1 838 693
Infrastructure - Sanitation	269 097	299 256	360 265	374 290	374 290	374 290	455 986	550 319	637 631
Infrastructure - Other	23 741	26 401	31 966	33 210	33 210	33 210	40 459	48 829	56 576
Infrastructure	1 093 991	1 216 600	1 464 379	1 521 389	1 493 087	1 493 087	1 818 981	2 195 286	2 543 585
Community	40 667	45 225	54 757	56 889	56 889	56 889	69 306	83 644	96 915
Other assets	15 728	17 491	20 403	21 198	21 198	21 198	24 529	29 796	34 661
Intangibles	772	607	478	1 184	1 184	1 184	1 296	1 371	1 451
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 151 159	1 279 924	1 540 017	1 600 660	1 572 358	1 572 358	1 914 112	2 310 097	2 676 612
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	28 992	37 050	39 754	30 000	30 000	30 000	31 874	33 786	35 812
Repairs and Maintenance by Asset Class	61 148	64 817	70 254	73 875	73 875	73 875	88 791	114 105	139 419
Infrastructure - Water	36 237	38 412	40 716	48 590	48 590	48 590	58 400	75 050	91 700
Infrastructure - Sanitation	24 911	26 405	27 990	21 600	21 600	21 600	25 961	33 363	40 764
Infrastructure	61 148	64 817	68 706	70 190	70 190	70 190	84 362	108 413	132 464
Other assets	-	-	1 548	3 686	3 686	3 686	4 430	5 693	6 956
TOTAL EXPENDITURE OTHER ITEMS	90 140	101 867	110 008	103 875	103 875	103 875	120 666	147 891	175 231
Renewal of Existing Assets as % of total capex	5,5%	3,0%	1,3%	2,5%	2,8%	2,8%	1,4%	1,2%	5,2%
Renewal of Existing Assets as % of deprecn*	30,7%	17,6%	11,5%	23,3%	23,3%	23,3%	15,7%	14,8%	55,8%
R&M as a % of PPE	5,3%	5,1%	4,8%	4,6%	4,7%	4,7%	4,8%	5,2%	5,6%
Renewal and R&M as a % of PPE	6,0%	6,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	6,0%

Explanatory notes to Table A9 - Asset Management

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Due to the extremely high infrastructure backlogs that exists in our district a huge allocation of the conditional funding arising from prior years multi- year capital budget appropriations has been committed towards new water and sanitation infrastructure. However the revised infrastructure plan will see a shift of more funds being allocated towards the refurbishment of assets as advised by National Treasury.

The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the district strategy to address the maintenance backlog.

Figure 3 Depreciation in relation to repairs and maintenance over the MTREF

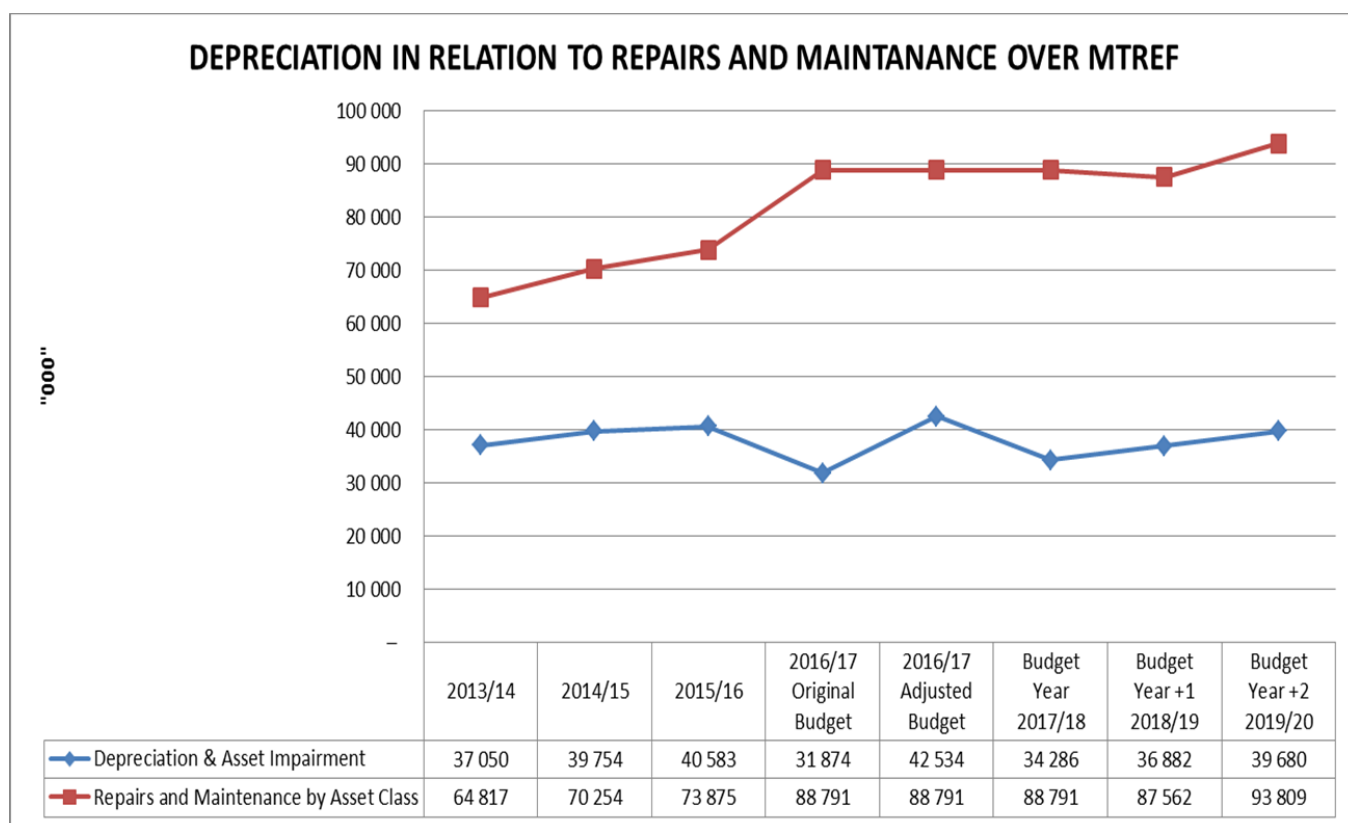


Table 25 MBRR Table A10 - Basic Service Delivery Measurement

DC43 Harry Gwala - Table A10 Basic service delivery measurement

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets									
<u>Water:</u>									
Piped water inside dwelling	41 595	41 985	44 069	46 273	46 273	46 273	48 247	48 642	48 419
Piped water inside yard (but not in dwelling)	19 048	19 227	19 323	20 290	20 290	20 290	20 087	19 886	19 687
Using public tap (at least min.service level)	22 667	22 880	22 606	23 736	23 736	23 736	26 110	30 026	34 530
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	83 311	84 093	85 998	90 298	90 298	90 298	94 443	98 554	102 636
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
No water supply	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	56 042	56 568	57 545	60 422	60 422	60 422	65 558	70 616	75 602
Flush toilet (with septic tank)	11 651	11 761	11 964	12 562	12 562	12 562	12 436	12 312	12 189
Chemical toilet	–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)	47 047	47 489	48 309	50 725	50 725	50 725	48 188	45 779	43 490
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
Cost of Free Basic Services provided - Formal Settlements (R'000)									
Water (6 kilolitres per indigent household per month)	4 455	5 006	5 306	4 886	4 886	4 886	5 625	5 962	6 320
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)	–	–	–	–	–	–	–	–	–
Total cost of FBS provided	4 455	5 006	5 306	4 886	4 886	4 886	5 625	5 962	6 320
Highest level of free service provided per household									
Property rates (R value threshold)									
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)									
Revenue cost of subsidised services provided (R'000)									
Total revenue cost of subsidised services provided	–	–	–	–	–	–	–	–	–

Explanatory notes to Table A10 - Basic Service Delivery Measurement

Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

The district continues to make good progress with the eradication of backlogs:

Water services – The table shows an increase in the number of household accessing water in the MTREF. These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.

Sanitation services – backlog will be reduced greatly in the MTREF. The budget provides for 12800 households to be registered as indigent in 2017/18, and therefore entitled to receiving Free Basic Services.

It is anticipated that these Free Basic Services will cost the municipality R6.3 million in the MTREF. This is covered by the municipality’s equitable share allocation from national government.

1.8 ANNUAL BUDGET TABLES – CONSOLIDATED TABLES

DC43 Harry Gwala - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	48 905	55 400	42 927	60 553	50 896	50 896	50 896	55 390	58 714	62 237
Investment revenue	3 426	3 669	3 364	3 700	6 075	6 075	6 075	6 230	3 920	4 441
Transfers recognised - operational	305 864	312 656	296 087	288 059	324 383	324 383	324 383	303 439	336 126	361 280
Other own revenue	7 512	8 847	10 894	9 114	16 720	16 720	16 720	12 155	12 326	13 027
Total Revenue (excluding capital transfers and contributions)	365 707	380 572	353 272	361 426	398 073	398 073	398 073	377 214	411 086	440 984
Employee costs	106 456	116 664	131 525	137 950	147 159	147 159	147 159	160 716	173 087	186 423
Remuneration of councillors	5 249	5 688	6 038	7 906	7 906	7 906	7 906	8 539	9 222	9 960
Depreciation & asset impairment	37 166	41 558	41 756	31 874	42 844	42 844	42 844	34 996	37 627	40 462
Finance charges	3 514	3 714	2 890	1 951	2 035	2 035	2 035	2 009	2 127	2 251
Materials and bulk purchases	9 487	8 947	8 577	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	228 500	246 916	279 060	203 551	232 117	232 117	232 117	174 200	190 878	192 795
Total Expenditure	390 372	423 488	469 846	393 941	442 770	442 770	442 770	391 812	424 963	444 610
Surplus/(Deficit)	(24 665)	(42 916)	(116 574)	(32 515)	(44 696)	(44 696)	(44 696)	(14 598)	(13 877)	(3 626)
Transfers and subsidies - capital (monetary allocations)	146 077	218 421	250 992	335 772	311 695	311 695	311 695	387 323	419 778	420 072
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Surplus/(Deficit) for the year	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Capital expenditure & funds sources										
Capital expenditure	188 113	243 283	242 817	350 299	313 343	313 343	313 343	394 134	426 393	425 453
Transfers recognised - capital	184 251	236 008	241 744	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Internally generated funds	3 862	7 275	1 073	14 527	4 243	4 243	4 243	6 810	6 615	5 381
Total sources of capital funds	188 113	243 283	242 817	350 299	313 344	313 344	313 344	394 134	426 393	425 453
Financial position										
Total current assets	90 805	70 315	69 183	94 157	67 853	67 853	67 853	73 476	64 969	70 207
Total non current assets	1 280 150	1 498 186	1 698 071	1 921 766	1 885 279	1 885 279	1 885 279	2 236 509	2 625 521	3 010 780
Total current liabilities	120 616	160 102	226 417	66 999	239 003	239 003	239 003	52 055	51 678	49 898
Total non current liabilities	41 121	39 173	37 193	32 449	32 449	32 449	32 449	12 379	8 684	4 583
Community wealth/Equity	1 209 217	1 369 227	1 503 645	1 916 475	1 681 679	1 681 679	1 681 679	2 245 550	2 630 128	3 026 506
Cash flows										
Net cash from (used) operating	196 191	250 849	230 219	329 010	274 241	274 241	274 241	379 104	406 832	421 477
Net cash from (used) investing	(188 304)	(241 896)	(243 026)	(313 188)	(277 696)	(277 696)	(277 696)	(351 024)	(419 778)	(420 072)
Net cash from (used) financing	(5 953)	(6 849)	(3 819)	(2 822)	(4 369)	(4 369)	(4 369)	(3 130)	(3 471)	(3 848)
Cash/cash equivalents at the year end	34 010	36 114	19 490	32 877	(2 005)	(2 005)	(2 005)	29 951	13 534	11 091

DC43 Harry Gwala - Table A1 Budget Summary

Description R thousands	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash backing/surplus reconciliation										
Cash and investments available	29 474	36 114	19 490	32 877	6 573	6 573	6 573	29 951	13 534	11 091
Application of cash and investments	77 704	144 682	218 286	32 976	195 401	195 401	195 401	25 318	21 978	15 010
Balance - surplus (shortfall)	(48 229)	(108 568)	(198 797)	(100)	(188 828)	(188 828)	(188 828)	4 633	(8 444)	(3 918)
Asset management										
Asset register summary (WDV)	1 280 150	1 498 186	1 698 071	1 921 766	1 885 279	1 885 279	2 236 509	2 236 509	2 625 521	3 010 780
Depreciation	37 166	41 558	41 756	31 874	42 844	42 844	42 844	42 844	34 996	37 627
Renewal of Existing Assets	6 525	4 580	12 656	5 000	2 850	2 850	2 850	5 000	-	20 000
Repairs and Maintenance	64 817	70 254	73 875	88 791	88 791	88 791	88 791	88 791	87 562	93 809
Free services										
Cost of Free Basic Services provided	5 136	5 806	4 384	5 832	5 083	5 083	5 625	5 625	5 962	6 320
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	31	32	32	33	33	33	32	32	30	29
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

DC43 Harry Gwala - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional									
<i>Governance and administration</i>	215 336	234 631	255 059	274 973	308 668	308 668	301 751	333 424	361 236
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	215 336	234 631	255 059	274 973	308 668	308 668	301 751	333 424	361 236
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	742	46 856	49 512	11 032	205	205	405	925	947
Planning and development	742	46 856	49 512	11 032	205	205	405	925	947
<i>Trading services</i>	295 706	317 506	299 692	411 194	400 895	400 895	462 381	496 515	498 873
Energy sources	-	-	-	-	-	-	-	-	-
Water management	49 182	52 600	48 700	60 550	62 251	62 251	57 897	60 890	64 542
Waste water management	246 524	264 906	250 992	350 644	338 644	338 644	404 484	435 625	434 331
Waste management	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	511 785	598 993	604 264	697 199	709 768	709 768	764 537	830 864	861 056
Expenditure - Functional									
<i>Governance and administration</i>	122 454	122 941	140 384	143 616	137 169	137 169	141 710	156 016	163 471
Executive and council	16 695	23 099	24 484	29 224	22 463	22 463	27 496	30 189	33 207
Finance and administration	105 759	99 842	115 900	114 393	114 706	114 706	114 213	125 827	130 263
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	65 241	97 756	125 089	70 474	53 384	53 384	59 494	68 345	72 239
Planning and development	65 241	97 756	125 089	70 474	53 384	53 384	59 494	68 345	72 239
<i>Trading services</i>	202 678	202 790	204 373	179 851	252 217	252 217	190 608	200 603	208 900
Energy sources	-	-	-	-	-	-	-	-	-
Water management	103 615	153 070	155 468	146 344	182 845	182 845	151 417	162 274	173 872
Waste water management	99 063	49 720	48 905	33 506	69 372	69 372	39 191	38 328	35 028
Waste management	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	390 372	423 488	469 846	393 941	442 770	442 770	391 812	424 963	444 610
Surplus/(Deficit) for the year	121 412	175 505	134 418	303 258	266 998	266 998	372 725	405 901	416 446

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	214 871	234 631	255 059	274 973	308 668	308 668	301 751	333 424	361 236
Vote 4 - Corporate Services	465	-	-	-	-	-	-	-	-
Vote 5 - Social & Development Planning	742	46 856	49 512	11 032	205	205	405	925	947
Vote 6 - Infrastructure Services	246 524	264 906	250 992	350 644	338 644	338 644	404 484	435 625	434 331
Vote 7 - Water Services	49 182	52 600	48 700	60 550	62 251	62 251	57 897	60 890	64 542
Total Revenue by Vote	511 785	598 993	604 264	697 199	709 768	709 768	764 537	830 864	861 056
Expenditure by Vote to be appropriated									
Vote 1 - Council	8 861	10 517	12 024	12 382	9 763	9 763	12 346	13 857	15 669
Vote 2 - Municipal Manager	7 834	12 582	12 460	16 841	12 700	12 700	15 150	16 332	17 538
Vote 3 - Budget & Treasury Office	58 717	58 499	62 155	64 031	59 112	59 112	63 901	72 246	73 221
Vote 4 - Corporate Services	47 042	41 343	53 745	50 362	55 594	55 594	50 312	53 581	57 042
Vote 5 - Social & Development Planning	65 241	97 756	125 089	70 474	53 384	53 384	59 494	68 345	72 239
Vote 6 - Infrastructure Services	99 063	49 720	48 905	33 506	69 372	69 372	39 191	38 328	35 028
Vote 7 - Water Services	103 615	153 070	155 468	146 344	182 845	182 845	151 417	162 274	173 872
Total Expenditure by Vote	390 372	423 488	469 846	393 941	442 770	442 770	391 812	424 963	444 610
Surplus/(Deficit) for the year	121 412	175 505	134 418	303 258	266 998	266 998	372 725	405 901	416 446

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Service charges - water revenue	35 855	40 534	30 608	40 714	35 488	35 488	35 488	39 269	41 625	44 122
Service charges - sanitation revenue	13 050	14 028	11 286	17 449	15 209	15 209	15 209	16 122	17 089	18 114
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-
Service charges - other	-	839	1 032	2 391	199	199	199	-	-	-
Rental of facilities and equipment										
Interest earned - external investments	3 426	3 669	3 364	3 700	6 075	6 075	6 075	6 230	3 920	4 441
Interest earned - outstanding debtors	5 638	7 446	8 664	8 500	14 658	14 658	14 658	9 000	9 540	10 112
Transfers and subsidies	305 864	312 656	296 087	288 059	324 383	324 383	324 383	303 439	336 126	361 280
Other revenue	1 874	1 401	2 230	614	2 062	2 062	2 062	3 155	2 786	2 914
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	365 707	380 572	353 272	361 426	398 073	398 073	398 073	377 214	411 086	440 984
Expenditure By Type										
Employee related costs	106 456	116 664	131 525	137 950	147 159	147 159	147 159	160 716	173 087	186 423
Remuneration of councillors	5 249	5 688	6 038	7 906	7 906	7 906	7 906	8 539	9 222	9 960
Debt impairment	23 206	11 653	25 567	26 044	26 044	26 044	26 044	27 843	29 513	31 284
Depreciation & asset impairment	37 166	41 558	41 756	31 874	42 844	42 844	42 844	34 996	37 627	40 462
Finance charges	3 514	3 714	2 890	1 951	2 035	2 035	2 035	2 009	2 127	2 251
Bulk purchases	9 487	8 947	8 577	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Contracted services	26 872	55 335	86 095	44 923	28 075	28 075	28 075	22 768	22 864	20 799
Other expenditure	178 422	166 723	165 869	132 584	177 998	177 998	177 998	123 590	138 500	140 712
Loss on disposal of PPE	-	13 205	1 529							
Total Expenditure	390 372	423 488	469 846	393 941	442 770	442 770	442 770	391 812	424 963	444 610
Surplus/(Deficit)	(24 665)	(42 916)	(116 574)	(32 515)	(44 696)	(44 696)	(44 696)	(14 598)	(13 877)	(3 626)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	146 077	218 421	250 992	335 772	311 695	311 695	311 695	387 323	419 778	420 072
Transfers and subsidies - capital (in-kind - all)										
Surplus/(Deficit) after capital transfers & contributions	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Surplus/(Deficit) after taxation	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Surplus/(Deficit) attributable to municipality	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Surplus/(Deficit) for the year	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446

Total consolidated operating revenue is R377, 2 million in 2017/18 and escalates to R424, 9 million by 2018/19. This represents an increase of 0.002 per cent for the 2017/18 financial year and an increase of 9 per cent for the 2018/19 and 7 % in 2019/20 financial year.

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote										
<i>Multi-year expenditure, to be appropriated</i>										
Vote 1 - Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	9 404	7 732	767	4 624	2 732	2 732	2 732	4 110	1 900	650
Vote 5 - Social & Development Planning	957	1 200	-	3 362	1 511	1 511	1 511	300	315	331
Vote 6 - Infrastructure Services	177 753	231 868	241 744	337 272	299 101	299 101	299 101	387 323	419 778	420 072
Vote 7 - Water Services	-	2 483	306	5 042	10 000	10 000	10 000	2 400	4 400	4 400
Capital multi-year expenditure sub-total	188 113	243 283	242 817	350 299	313 343	313 343	313 343	394 134	426 393	425 453
Total Capital Expenditure - Vote	188 113	243 283	242 817	350 299	313 343	313 343	313 343	394 134	426 393	425 453
Capital Expenditure - Functional										
<i>Governance and administration</i>	9 404	7 732	767	4 624	2 732	2 732	2 732	4 110	1 900	650
Executive and council	-	-	-	-	-	-	-	-	-	-
Finance and administration	9 404	7 732	767	4 624	2 732	2 732	2 732	4 110	1 900	650
Internal audit	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	957	1 200	-	3 362	1 511	1 511	1 511	300	315	331
Planning and development	957	1 200	-	3 362	1 511	1 511	1 511	300	315	331
<i>Trading services</i>	177 753	234 351	242 050	342 314	309 101	309 101	309 101	389 723	424 178	424 472
Energy sources	-	-	-	-	-	-	-	-	-	-
Water management	-	2 483	306	5 042	10 000	10 000	10 000	2 400	4 400	4 400
Waste water management	177 753	231 868	241 744	337 272	299 101	299 101	299 101	387 323	419 778	420 072
Waste management	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	188 113	243 283	242 817	350 299	313 343	313 343	313 343	394 134	426 393	425 453
Funded by:										
National Government	169 194	236 008	241 744	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Provincial Government	15 057	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	184 251	236 008	241 744	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Internally generated funds	3 862	7 275	1 073	14 527	4 243	4 243	4 243	6 810	6 615	5 381
Total Capital Funding	188 113	243 283	242 817	350 299	313 344	313 344	313 344	394 134	426 393	425 453

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2017/18 R394million has been allocated of the total R387, a 3million infrastructural budget, which totals 97 per cent. This capital budget allocation escalates to R426, 3 million in 2018/19 and then increase to R425, 4 million in 2019/20

DC43 Harry Gwala - Table A6 Budgeted Financial Position

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS										
Current assets										
Cash	29 474	36 114	19 490	32 877	3 642	3 642	3 642	29 951	13 534	11 091
Call investment deposits	–	–	–	–	2 931	2 931	2 931	–	–	–
Consumer debtors	6 923	25 704	25 219	48 078	48 078	48 078	48 078	36 156	43 749	51 797
Other debtors	48 344	8 203	24 268	12 818	12 818	12 818	12 818	7 107	7 423	7 057
Current portion of long-term receivables	5 794	31	14	–	–	–	–	–	–	–
Inventory	269	263	192	384	384	384	384	263	263	263
Total current assets	90 805	70 315	69 183	94 157	67 853	67 853	67 853	73 476	64 969	70 207
Non current assets										
Property, plant and equipment	1 279 317	1 497 088	1 696 950	1 917 794	1 881 807	1 881 807	1 881 807	2 236 142	2 625 338	3 010 780
Intangible	833	1 099	1 122	3 972	3 472	3 472	3 472	366	183	–
Other non-current assets										
Total non current assets	1 280 150	1 498 186	1 698 071	1 921 766	1 885 279	1 885 279	1 885 279	2 236 509	2 625 521	3 010 780
TOTAL ASSETS	1 370 954	1 568 501	1 767 254	2 015 923	1 953 132	1 953 132	1 953 132	2 309 985	2 690 490	3 080 987
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing	3 415	5 896	7 580	3 330	3 330	3 330	3 330	3 758	4 164	4 618
Consumer deposits	1 114	1 257	1 346	1 593	1 593	1 593	1 593	1 794	2 019	2 273
Trade and other payables	108 169	152 589	216 891	57 770	229 775	229 775	229 775	45 485	43 762	40 062
Provisions	7 918	360	599	4 305	4 305	4 305	4 305	1 019	1 732	2 945
Total current liabilities	120 616	160 102	226 417	66 999	239 003	239 003	239 003	52 055	51 678	49 898
Non current liabilities										
Borrowing	27 193	22 501	17 255	12 353	12 353	12 353	12 353	12 379	8 684	4 583
Provisions	13 928	16 672	19 938	20 096	20 096	20 096	20 096	–	–	–
Total non current liabilities	41 121	39 173	37 193	32 449	32 449	32 449	32 449	12 379	8 684	4 583
TOTAL LIABILITIES	161 737	199 275	263 609	99 448	271 453	271 453	271 453	64 434	60 361	54 481
NET ASSETS	1 209 217	1 369 227	1 503 645	1 916 475	1 681 679	1 681 679	1 681 679	2 245 550	2 630 128	3 026 506
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	1 209 217	1 369 227	1 503 645	1 916 475	1 681 679	1 681 679	1 681 679	2 245 550	2 630 128	3 026 506
TOTAL COMMUNITY WEALTH/EQUITY	1 209 217	1 369 227	1 503 645	1 916 475	1 681 679	1 681 679	1 681 679	2 245 550	2 630 128	3 026 506

DC43 Harry Gwala - Table A7 Budgeted Cash Flows

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	23 602	25 156	13 767	32 408	42 081	42 081	42 081	29 911	28 852	30 583
Other revenue	7 497	3 645	305	310	310	310	310	1 575	1 391	1 454
Government - operating	287 901	294 730	324 189	288 059	308 623	308 623	308 623	303 439	336 126	361 280
Government - capital	200 816	239 956	244 290	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Interest	3 426	3 669	3 364	3 700	7 138	7 138	7 138	5 830	3 500	4 000
Payments										
Suppliers and employees	(323 536)	(312 593)	(352 806)	(329 288)	(390 993)	(390 993)	(390 993)	(346 964)	(380 687)	(393 662)
Finance charges	(3 514)	(3 714)	(2 890)	(1 951)	(2 019)	(2 019)	(2 019)	(2 009)	(2 127)	(2 251)
Transfers and Grants	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	196 191	250 849	230 219	329 010	274 241	274 241	274 241	379 104	406 832	421 477
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		(242)	(436)					–	–	–
Payments										
Capital assets	(188 304)	(241 654)	(242 590)	(313 188)	(277 696)	(277 696)	(277 696)	(351 024)	(419 778)	(420 072)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(188 304)	(241 896)	(243 026)	(313 188)	(277 696)	(277 696)	(277 696)	(351 024)	(419 778)	(420 072)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Increase (decrease) in consumer deposits	–	–	–	178	178	178	178	200	226	254
Payments										
Repayment of borrowing	(5 953)	(6 849)	(3 819)	(3 000)	(4 547)	(4 547)	(4 547)	(3 330)	(3 697)	(4 102)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5 953)	(6 849)	(3 819)	(2 822)	(4 369)	(4 369)	(4 369)	(3 130)	(3 471)	(3 848)
NET INCREASE/ (DECREASE) IN CASH HELD	1 934	2 104	(16 626)	13 000	(7 824)	(7 824)	(7 824)	24 951	(16 416)	(2 443)
Cash/cash equivalents at the year begin:	32 076	34 010	36 115	19 877	5 819	5 819	5 819	5 000	29 951	13 534
Cash/cash equivalents at the year end:	34 010	36 114	19 490	32 877	(2 005)	(2 005)	(2 005)	29 951	13 534	11 091

DC43 Harry Gwala - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available										
Cash/cash equivalents at the year end	34 010	36 114	19 490	32 877	(2 005)	(2 005)	(2 005)	29 951	13 534	11 091
Other current investments > 90 days	(4 536)	–	–	–	8 578	8 578	8 578	–	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	29 474	36 114	19 490	32 877	6 573	6 573	6 573	29 951	13 534	11 091
Application of cash and investments										
Unspent conditional transfers	19 772	7 797	14 577	3 234	3 234	3 234	3 234	6 645	5 980	5 316
Unspent borrowing	–	–	–	–	–	–	–	–	–	–
Statutory requirements										
Other working capital requirements	57 932	129 592	189 375	25 938	188 363	188 363	188 363	18 673	15 998	9 694
Other provisions		7 293	14 334	3 804	3 804	3 804	3 804			
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments										
Total Application of cash and investments:	77 704	144 682	218 286	32 976	195 401	195 401	195 401	25 318	21 978	15 010
Surplus(shortfall)	(48 229)	(108 568)	(198 797)	(100)	(188 828)	(188 828)	(188 828)	4 633	(8 444)	(3 918)

DC43 Harry Gwala - Table A9 Asset Management									
Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand									
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	181 588	238 703	230 161	345 299	310 493	310 493	389 134	426 393	293 343
<i>Roads Infrastructure</i>	-	-	-	500	-	-	-	-	-
<i>Electrical Infrastructure</i>	4 974	1 830	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	120 854	166 952	190 611	299 352	274 814	274 814	319 780	362 261	223 463
<i>Sanitation Infrastructure</i>	46 954	50 459	28 500	33 666	28 847	28 847	62 543	57 517	64 500
Infrastructure	172 783	219 241	219 111	333 517	303 661	303 661	382 324	419 778	287 963
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	6 684	8 578	3 900	1 500	1 500	1 500	200	210	221
Other Assets	6 684	8 578	3 900	1 500	1 500	1 500	200	210	221
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Licences and Rights	200	200	1 100	1 250	950	950	2 100	105	110
Intangible Assets	200	200	1 100	1 250	950	950	2 100	105	110
Computer Equipment	-	1 380	-	-	-	-	-	-	-
Furniture and Office Equipment	921	2 179	1 450	1 791	783	783	1 210	1 300	1 050
Machinery and Equipment	-	6 025	4 600	2 600	2 600	2 600	2 000	4 000	4 000
Transport Assets	1 000	1 100	-	4 642	1 000	1 000	1 300	1 000	-
<u>Total Renewal of Existing Assets</u>	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
<i>Water Supply Infrastructure</i>	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
Infrastructure	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
<u>Total Capital Expenditure</u>									
<i>Roads Infrastructure</i>	-	-	-	500	-	-	-	-	-
<i>Electrical Infrastructure</i>	4 974	1 830	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>	127 380	171 532	203 267	304 352	277 664	277 664	324 780	362 261	243 463
<i>Sanitation Infrastructure</i>	46 954	50 459	28 500	33 666	28 847	28 847	62 543	57 517	64 500
Infrastructure	179 308	223 821	231 767	338 517	306 511	306 511	387 324	419 778	307 963
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	6 684	8 578	3 900	1 500	1 500	1 500	200	210	221
Housing	-	-	-	-	-	-	-	-	-
Other Assets	6 684	8 578	3 900	1 500	1 500	1 500	200	210	221
Licences and Rights	200	200	1 100	1 250	950	950	2 100	105	110
Intangible Assets	200	200	1 100	1 250	950	950	2 100	105	110
Computer Equipment	-	1 380	-	-	-	-	-	-	-
Furniture and Office Equipment	921	2 179	1 450	1 791	783	783	1 210	1 300	1 050
Machinery and Equipment	-	6 025	4 600	2 600	2 600	2 600	2 000	4 000	4 000
Transport Assets	1 000	1 100	-	4 642	1 000	1 000	1 300	1 000	-
TOTAL CAPITAL EXPENDITURE - Asset class	188 113	243 283	242 817	350 299	313 343	313 343	394 134	426 393	313 343

DC43 Harry Gwala - Table A9 Asset Management									
Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSET REGISTER SUMMARY - PPE (WDV)									
<i>Water Supply Infrastructure</i>	862 502	983 878	1 127 215	1 290 226	1 265 811	1 265 811	1 507 541	1 769 759	2 029 446
<i>Sanitation Infrastructure</i>	370 230	447 931	508 886	560 609	549 879	549 879	646 089	758 468	869 763
Infrastructure	1 232 733	1 431 809	1 636 102	1 850 835	1 815 690	1 815 690	2 153 630	2 528 227	2 899 209
Community Facilities	2 821	3 811	3 686	4 219	4 139	4 139	4 930	5 787	6 637
Sport and Recreation Facilities									
Community Assets	2 821	3 811	3 686	4 219	4 139	4 139	4 930	5 787	6 637
Heritage Assets									
Non-revenue Generating	13 069	17 081	17 081	19 551	19 181	19 181	22 844	26 817	30 752
Investment properties	13 069	17 081	17 081	19 551	19 181	19 181	22 844	26 817	30 752
Operational Buildings	20 571	28 584	26 885	30 773	30 190	30 190	35 956	42 210	48 404
Housing									
Other Assets	20 571	28 584	26 885	30 773	30 190	30 190	35 956	42 210	48 404
Furniture and Office Equipment	1 057	1 385	1 382	1 582	1 552	1 552	1 848	2 169	2 488
Machinery and Equipment	5 489	2 173	7 174	8 211	8 056	8 056	9 594	11 263	12 916
Transport Assets	4 409	13 344	5 763	6 596	6 471	6 471	7 707	9 048	10 375
Libraries									
Zoo's, Marine and Non-biological Animals									
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1 280 150	1 498 186	1 698 071	1 921 766	1 885 279	1 885 279	2 236 509	2 625 521	3 010 780
EXPENDITURE OTHER ITEMS									
<u>Depreciation</u>	37 166	41 558	41 756	31 874	42 844	42 844	42 844	34 996	37 627
<u>Repairs and Maintenance by Asset Class</u>	64 817	70 254	73 875	88 791	88 791	88 791	88 791	87 562	93 809
<i>Water Supply Infrastructure</i>	38 412	40 716	48 590	58 400	58 400	58 400	58 400	57 592	61 701
<i>Sanitation Infrastructure</i>	26 405	27 990	21 600	25 961	26 202	26 382	26 202	25 839	27 682
Infrastructure	64 817	68 706	70 190	84 362	84 602	84 782	84 602	83 431	89 383
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	357	150	180	180	-	180	178	190
Transport Assets	-	596	200	240	1 000	1 000	1 000	986	1 057
TOTAL EXPENDITURE OTHER ITEMS	101 983	111 813	115 631	120 666	131 635	131 635	131 635	122 558	131 437
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	3,5%	1,9%	5,2%	1,4%	0,9%	0,9%	1,3%	0,0%	6,4%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>	17,6%	11,0%	30,3%	15,7%	6,7%	6,7%	11,7%	0,0%	53,2%
<i>R&M as a % of PPE</i>	5,1%	4,7%	4,4%	4,6%	4,7%	4,7%	4,0%	3,3%	3,1%
<i>Renewal and upgrading and R&M as a % of PPE</i>	6,0%	5,0%	5,0%	5,0%	5,0%	5,0%	4,0%	3,0%	4,0%

DC43 Harry Gwala - Table A10 Basic service delivery measurement

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets									
<u>Water:</u>									
Piped water inside dwelling	41 595	41 985	44 069	46 273	46 273	46 273	48 247	48 642	48 419
Piped water inside yard (but not in dwelling)	19 048	19 227	19 323	20 290	20 290	20 290	20 087	19 886	19 687
Using public tap (at least min.service level)	22 667	22 880	22 606	23 736	23 736	23 736	26 110	30 026	34 530
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	83 311	84 093	85 998	90 298	90 298	90 298	94 443	98 554	102 636
Using public tap (< min.service level)	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
No water supply	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	56 042	56 568	57 545	60 422	60 422	60 422	65 558	70 616	75 602
Flush toilet (with septic tank)	11 651	11 761	11 964	12 562	12 562	12 562	12 436	12 312	12 189
Chemical toilet	-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	47 047	47 489	48 309	50 725	50 725	50 725	48 188	45 779	43 490
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
<u>Cost of Free Basic Services provided - Formal Settlements (R'000)</u>									
Water (6 kilolitres per indigent household per month)	5 136	5 806	4 384	5 832	5 083	5 083	5 625	5 962	6 320
<u>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</u>	-	-	-	-	-	-	-	-	-
Total cost of FBS provided	5 136	5 806	4 384	5 832	5 083	5 083	5 625	5 962	6 320
<u>Highest level of free service provided per household</u>									
Property rates (R value threshold)	-	-	-	-	-	-	-	-	-
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Total revenue cost of subsidised services provided	-	-	-	-	-	-	-	-	-

Part 2 – Supporting Documentation

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

1. that the process followed to compile the budget complies with legislation and good budget practices;
2. that there is proper alignment between the policy and service delivery priorities set out in the district IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
3. that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
4. That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2016. Key dates applicable to the process were:

- a) **August 2016** – Joint strategic planning session of the Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2017/18 MTREF;
- b) **November 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- c) **January 2017** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;

- d) **January 2017** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- e) **January 2017** - Council considers the 2016/17 Mid-year Review and Adjustments Budget;
- f) **February 2017** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2017/18 MTREF is revised accordingly;
- g) **31 March 2017** - Tabling in Council of the draft 2017/18 IDP and 2017/18 MTREF for public consultation;
- h) **5 to 22 April 2017** – Public consultation;
- i) **6 May 2017** - Closing date for written comments;
- j) **8 to 26 May 2017** – finalization of the 2017/18 IDP and 2017/18 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- k) **30 May 2017** - Tabling of the 2017/18 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council IDP and Service Delivery and Budget Implementation Plan. This is the first IDP that will be adopted by new Council in May 2017. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 MTREF in August.

The Harry Gwala District IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

1. Registration of community needs;
2. Compilation of departmental business plans including key performance indicators and targets;
3. Financial planning and budgeting process;
4. Public participation process;
5. Compilation of the SDBIP, and
6. The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

Financial Modeling and Key Planning Drivers

Part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure the affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

1. District growth
2. Policy priorities and strategic objectives
3. Asset maintenance
4. Economic climate and trends (i.e. inflation, household debt, migration patterns)
5. Performance trends
6. The approved 2016/17 adjustments budget and performance against the SDBIP
7. Cash Flow Management Strategy
8. Debtor payment levels
9. Loan and investment possibilities
10. The need for tariff increases versus the ability of the community to pay for services;
11. Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

Community Consultation

The draft 2017/18 MTREF as tabled before Council on 28 March 2017 for community consultation was published on the municipality's website, and hard copies were made available at satellite offices, municipal notice boards and various libraries. In addition E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Harry Gwala district municipality's website, and the district call centre was engaged in collecting inputs via e-mail, fax and SMS.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 05 to 23 April 2017, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and local municipalities a notice board on average attendance of 300 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and izimbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2017/18 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- a) Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The district is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- b) Several complaints were received regarding poor service delivery, especially poor condition of water (drinking water) and the state of road infrastructure;
- c) Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- d) The affordability of tariff increases was raised on numerous occasions. This concern was also raised by organised business as an obstacle to economic growth;

- e) Pensioners cannot afford the tariff increases due to low annual pension increases; and
- f) During the community consultation process large sections of the community made it clear that they are not in favor of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the district, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the district strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the district's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- a) Green Paper on National Strategic Planning of 2009;
- b) Government Programme of Action;
- c) Development Facilitation Act of 1995;
- d) Provincial Growth and Development Strategy (GGDS);
- e) National and Provincial spatial development perspectives;
- f) Relevant sector plans such as transportation, legislation and policy;
- g) National Key Performance Indicators (NKPIs);
- h) Accelerated and Shared Growth Initiative (ASGISA);
- i) National 2014 Vision;
- j) National Spatial Development Perspective (NSDP) and
- k) The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 26 IDP Strategic Objectives

2016/17 Financial Year	2017/18 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Harry Gwala district principles through a caring, accessible and accountable service	4. Foster participatory democracy and Harry Gwala district principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the district to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

Provision of quality basic services and infrastructure which includes, amongst others:

- a) Provide water;
- b) Provide sanitation;
- c) Provide housing;
- d) Provide district planning services; and
- e) Maintaining the infrastructure of the district.

Economic growth and development that leads to sustainable job creation by:

- a) Ensuring there is a clear structural plan for the district;
- b) Ensuring planning processes function in accordance with set timeframes;
- c) Facilitating the use of labor intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- a) Effective implementation of the Indigent Policy;
- b) Ensuring all waste water treatment works are operating optimally;
- c) Working with strategic partners such as SAPS to address crime;
- d) Ensuring safe working environments by effective enforcement of building and health regulations;
- e) Promote viable, sustainable communities through proper zoning; and
- f) Promote environmental sustainability by protecting wetlands and key open spaces.

Integrated Social Services for empowered and sustainable communities

Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly coordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- a) Optimising effective community participation in the ward committee system; and
- b) Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- a) Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- b) Reviewing the use of contracted services

- c) Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- d) Optimal institutional transformation to ensure capacity to achieve set objectives
- e) Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the district. The five-year programme responds to the development challenges and opportunities faced by the district by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the district undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the district so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the district IDP, associated sectoral plans and strategies, and the allocation of resources of the district and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

1. Developing dormant areas;
2. Enforcing hard development lines – so as to direct private investment;
3. Maintaining existing urban areas;
4. Strengthening key economic clusters;
5. Building social cohesion;
6. Strong developmental initiatives in relation to the municipal institution as a whole; and
7. Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- a) Strengthening the analysis and strategic planning processes of the District;
- b) Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- c) Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and

- d) Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

DC43 Harry Gwala - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Good Governance	Effective & Efficient Admin & IT Support Service Provision	–	–	–	–	–	–	–	–	–
Good Governance	Efficient Fleet Management Service	–	–	–	–	–	–	–	–	–
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 790	3 210	3 327	3 878	3 869	3 869	4 316	4 691	4 861
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	225 229	259 111	268 531	313 021	312 276	312 276	348 385	378 616	392 372
Muni Trans & Instt Dev	Meet Basic Service & address Backlogs	1 016	1 169	1 211	1 412	1 408	1 408	1 571	1 707	1 770
Muni Trans & Instt Dev	Efficient Fleet Management Service	–	–	–	–	–	–	–	–	–
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 645	3 043	3 154	3 676	3 668	3 668	4 092	4 447	4 608
Infrastructure & Services	Infrastructure Services	234 421	269 686	279 491	325 797	325 021	325 021	362 604	394 069	408 386
Water Services	Meet Basic Service & address Backlogs	27 905	32 103	33 270	38 782	38 690	38 690	43 164	46 909	48 614
Total Revenue (excluding capital transfers and contributions)		494 007	568 322	588 983	686 567	684 932	684 932	764 132	830 439	860 610

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

DC43 Harry Gwala - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Good Governance	Effective & Efficient Admin & IT Support Service Provision	–	–	–	–	–	–	–	–	–
Good Governance	Efficient Fleet Management Service	–	–	–	–	–	–	–	–	–
Good Governance	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 268	–	–	–	–	–	–	–	–
Financial Viability and Sustainability	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	183 030	175 256	195 996	164 442	201 967	201 967	180 801	196 146	205 243
Muni Trans & Instt Dev	Infrastructure Services	–	–	–	–	–	–	–	–	–
Muni Trans & Instt Dev	Meet Basic Service & address Backlogs	825	–	–	–	900	900	805	874	914
Muni Trans & Instt Dev	Efficient Fleet Management Service	–	–	–	–	–	–	–	–	–
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	2 150	520	582	488	2 343	2 343	2 097	2 276	2 381
Infrastructure & Services	Infrastructure Services	190 500	182 123	218 444	183 276	207 638	207 638	185 877	201 653	211 006
Water Services	Meet Basic Service & address Backlogs	22 677	36 503	40 759	34 197	24 717	24 717	22 127	24 005	25 118
Total Expenditure		401 448	394 403	455 781	382 404	437 564	437 564	391 708	424 954	444 662

Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

DC43 Harry Gwala - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Good Governance	Promote the Support of Activities of Sport & Recreation, Youth Development, Elderly, Women & Physically-Challenged	7 597	8 854	9 476	13 098	11 735	11 735	14 820	16 034	15 998
Good Governance	Ensure Accessibility & Promote Governance	8 461	10 993	11 764	16 261	14 568	14 568	18 399	19 906	19 861
Good Governance	To Create an Efficient & Accountable Administration	6 129	9 842	10 533	14 559	13 044	13 044	16 474	17 823	17 783
Financial Viability and Sustainability	Strategic & Sustainability Budgeting, Revenue Enhancement & Value for Money Spending	31 845	35 410	37 895	52 379	46 928	46 928	59 268	64 121	63 977
Muni Trans & Instit Dev	HR Dev. (Including Healthy & Productive Employees) & Organisational dev.	8 553	7 988	8 548	11 816	10 586	10 586	13 370	14 464	14 432
Muni Trans & Instit Dev	Effective & Efficient Admin & IT Support Service Provision	12 705	13 509	14 457	19 983	17 904	17 904	22 612	24 463	24 408
Muni Trans & Instit Dev	Efficient Fleet Management Service	4 255	3 537	3 785	5 232	4 687	4 687	5 920	6 405	6 390
Socio Economic Development	To promote local economic growth and development, tourism and investment by creating an enabling environment for economic development initiatives to take place	18 560	10 270	10 991	15 192	13 611	13 611	17 190	18 597	18 555
Socio Economic Development	To create the disaster management unit that seeks to prevent, mitigate, preparedness; response; recovery and rehabilitation to disasters	580	826	884	1 222	1 095	1 095	1 383	1 496	1 493
Socio Economic Development	Ensuring that the residents have access to an environment that is not harmful to their health and well being. Ensuring the promotion of social and economic upliftment of its residents.	4 313	4 672	5 000	6 911	6 191	6 191	7 820	8 460	8 441
Infrastructure & Services	Infrastructure Services	57 331	30 080	32 191	44 495	39 864	39 864	50 347	54 469	54 347
Water Services	Meet Basic Service & address Backlogs	57 397	102 964	97 032	146 908	131 620	131 620	166 231	179 841	179 437
Total Capital Expenditure		217 725	238 945	242 556	348 054	311 833	311 833	393 833	426 078	425 122

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the district has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

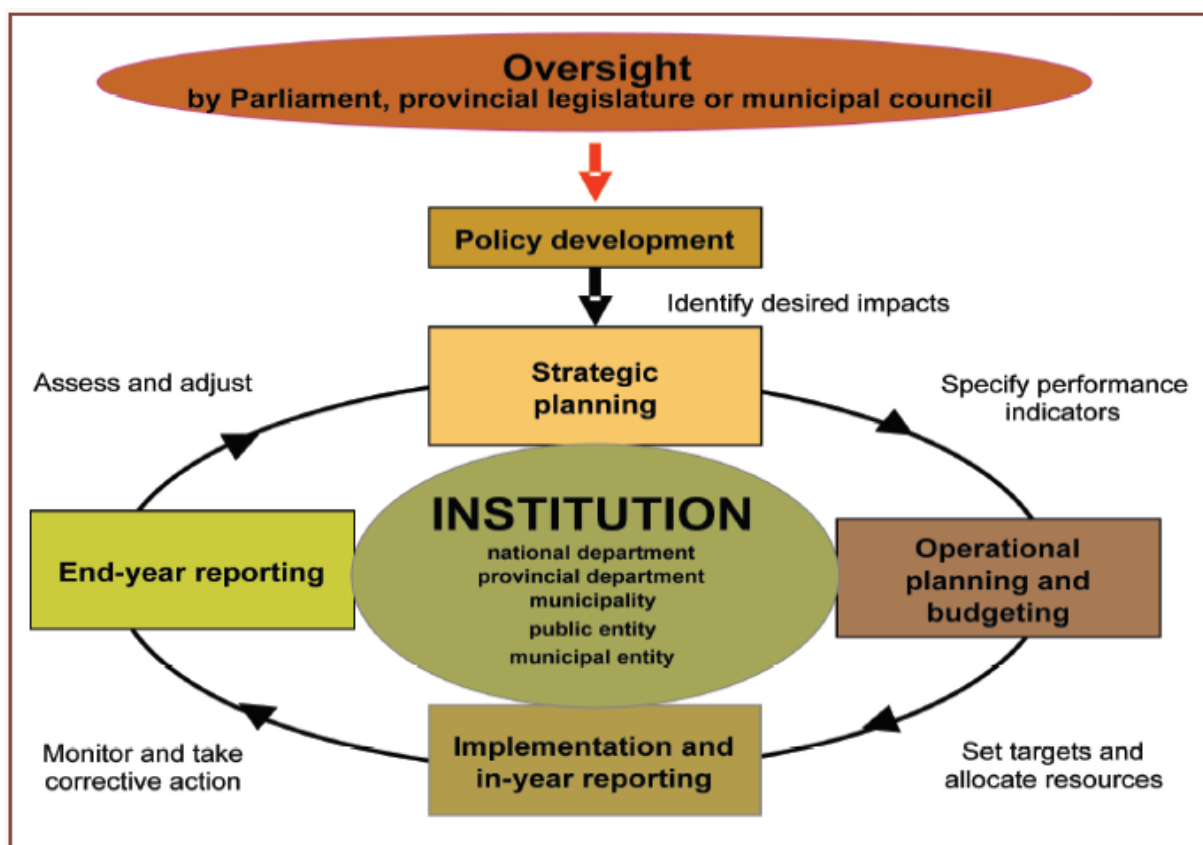


Figure 4 Planning, budgeting and reporting cycle

The performance of the district relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The district therefore has adopted one integrated performance management system which encompasses:

1. Planning (setting goals, objectives, targets and benchmarks);
2. Monitoring (regular monitoring and checking on the progress against plan);
3. Measurement (indicators of success);
4. Review (identifying areas requiring change and improvement);
5. Reporting (what information, to whom, from whom, how often and for what purpose); and
6. Improvement (making changes where necessary).

The performance information concepts used by the district in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:

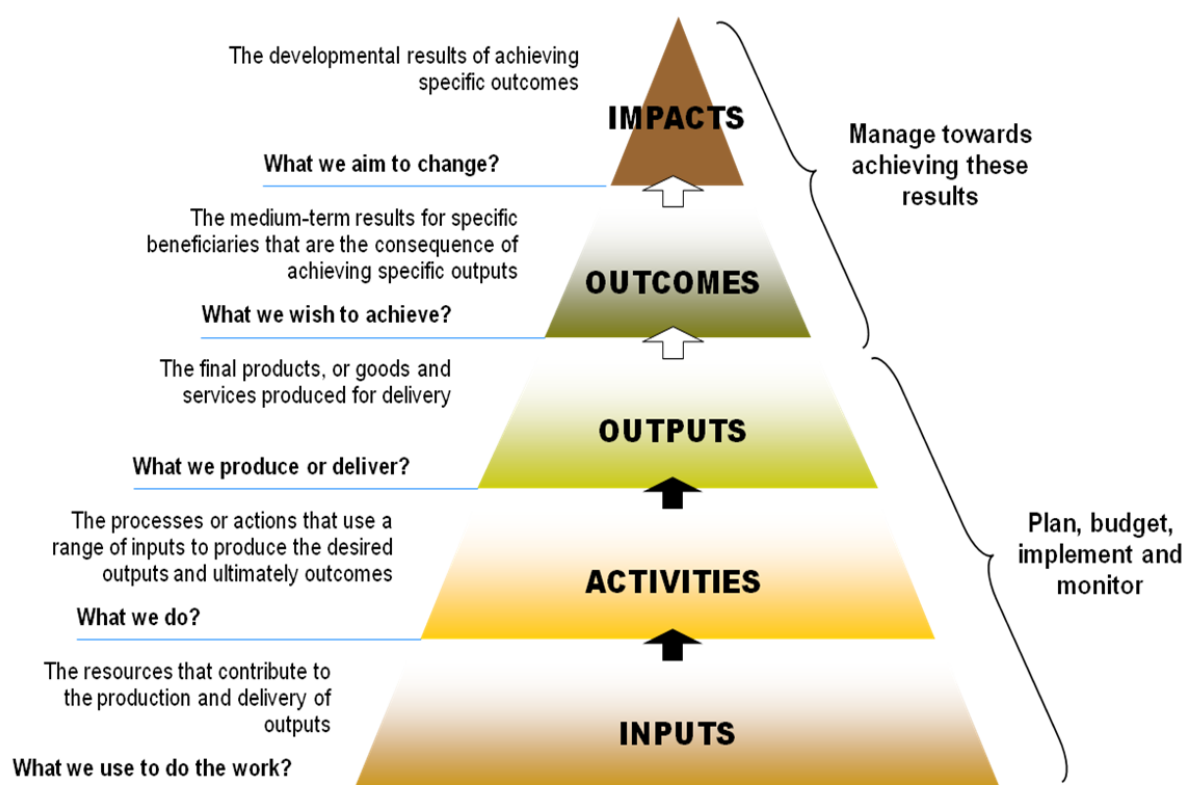


Figure 5 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 30 MBRR Table SA7 - Measurable performance objectives

DC43 Harry Gwala - Supporting Table SA7 Measurable performance objectives

Description	Unit of measurement	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Vote1 - Executive & Council										
<i>To render youth development projects</i>	Number of programmes	16,0%	14,0%	14,0%	14,0%	14,0%	14,0%	14,0%	14,0%	16,0%
<i>To promote sports initiatives and activities</i>	Number of games & events held	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
<i>To render integrated communication services</i>	Information Dissemination	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%
Sub-function 4 - Special Programmes										
<i>Programs for the Elderly, Disabled, HIV&Aids and Cultural Activities</i>	Number of Programmes implemented	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Sub-function 5 - IDP/PMS										
<i>Compilation of Annual Report, SDBIP, Annual Performance Contracts and Rewarding Performance</i>	Number of Reports	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%
Sub-function 6 - Intergovernmental Relations										
<i>To hold the meetings as part of the intergovernmental relations within the district</i>	Number of meeting Held	4,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	4,0%
Vote2 - Finance										
<i>Financial Viability & Management</i>	Number of Reports Produced	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%	15,0%
Vote3 - Corporate Services										
<i>Function 1 - Corporate Services</i>										
<i>Sub-function 2 - Human Resource Services</i>	Number of plans, Strategies, Policies developed									
<i>To provide Human Resource Management Services</i>	Staff Capacity Building	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
<i>Function 1 - Development & Planning</i>										
<i>Sub-function 1 - Planning & GIS</i>										
<i>To provide Development Planning Services</i>	Number of Precinct Plans Developed	4,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	4,0%
<i>Sub-function 2 - Environmental Health</i>										
<i>The municipality shall therefore ensure that, its residents have access to an environment that is not harmful to their health and well being. (Section 24 of the constitution), and it shall ensure the promotion of social and economic upliftment (object of the municipal systems act) of its residents.</i>	% Enforcements undertaken	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

DC43 Harry Gwala - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
	Surveillance of Business Premises	240,0%	240,0%	240,0%	240,0%	240,0%	240,0%	240,0%	240,0%	240,0%
	Percentage of samples taken of functional water schemes	70,0%	70,0%	70,0%	70,0%	70,0%	70,0%	70,0%	70,0%	70,0%
Turnaround time to respond to any disaster	% Enforcements undertaken	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time	5 Hrs turnaround time
	Construction of Disaster Management Centre									
<i>Sub-function 1 - Water</i>		100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	
Reduction in water backlogs	Total number of HH with access to water	6893,0%	6755,0%	6755,0%	6755,0%	6755,0%	6755,0%	6755,0%	6755,0%	6435,0%
	Number of household with new access to VIP sanitation	1956,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1844,0%
<i>Sub-function 2 - Sanitation</i>										
Reduction in sanitation backlogs										
	No of hh with electricity connection in the water scheme	2043,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1956,0%
<i>Sub-function 3 - Electricity</i>										
<i>Sub-function 4 - Roads</i>	No of KM or road provided	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%	95,0%
Sub-function 5 - Electricity	Frequency of building maintenance	9500,0%	9800,0%	9800,0%	9800,0%	9800,0%	9800,0%	9800,0%	9800,0%	9000,0%
Sub-function 1 - Water & Sanitation Infrastructure Planning & Design	Water Feasibility Studies, Business Plans Approved	10,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	10,0%
	Sanitation Feasibility Studies, Business Plans Approved	4,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
<i>To ensure the effective management of all water Infrastructure</i>										
Sub-function 2 - Water & Sanitation Services Operations and Maintenance	% Reduction in water losses	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%	95,0%
	Minimum Night Flows in main supply areas									
To render effective water & sanitation services	% reduction in the number of sewer overflows	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	95,0%
	% Progress made towards Blue drop and Green drop Status DWA	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%

The following table sets out the municipalities main performance objectives and benchmarks for the 2015/16 MTREF.

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

DC43 Harry Gwala - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Borrowing Management</u>											
Credit Rating		n/a	n/a	n/a							
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2,6%	2,3%	2,7%	1,8%	1,0%	1,0%	1,0%	1,5%	1,2%	1,3%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	19,6%	15,7%	15,6%	9,0%	5,8%	5,8%	5,8%	7,4%	6,3%	6,4%
Borrowed funding of 'own n' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0,7	0,4	0,4	1,5	0,4	0,4	0,4	0,8	1,1	1,4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,7	0,4	0,4	1,5	0,4	0,4	0,4	0,8	1,1	1,4
Liquidity Ratio	Monetary Assets/Current Liabilities	0,2	0,3	0,2	0,9	0,1	0,1	0,1	0,3	0,6	0,6
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		78,3%	48,3%	45,4%	55,0%	55,1%	55,1%	55,1%	63,6%	82,2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		78,3%	48,3%	45,4%	55,0%	55,1%	55,1%	55,1%	63,6%	82,2%	62,6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	26,3%	4,5%	12,2%	10,2%	9,9%	9,9%	9,9%	18,8%	23,6%	44,5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0,0%	0,0%	0,0%							
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	73,0%	75,0%	80,0%							
Creditors to Cash and Investments		432,5%	313,4%	563,3%	58,9%	842,4%	842,4%	842,4%	311,9%	161,8%	155,2%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	0	0	0							
	Total Cost of Losses (Rand '000)	–	–	–							
	% Volume (units purchased and generated less units sold)/units purchased and generated	–	–	–							
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)	1 795	1 563	1 449							
	% Volume (units purchased and generated less units sold)/units purchased and generated	40%	41%	38%							
Employee costs	Employee costs/(Total Revenue - capital revenue)	31,2%	28,7%	30,4%	35,9%	35,3%	35,3%	35,3%	35,7%	36,3%	36,5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	33,0%	33,7%	37,5%	38,2%	37,5%	37,5%		38,0%	38,6%	38,8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	24,1%	18,6%	20,1%	23,3%	22,5%	22,5%		25,3%	30,6%	34,9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12,9%	11,7%	12,4%	10,2%	9,5%	9,5%	9,5%	9,8%	9,8%	9,6%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	4,9	5,8	5,9	6,1	6,1	6,1	5,8	5,8	5,2	5,5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	167,4%	32,2%	77,3%	58,0%	58,0%	58,0%	58,0%	108,9%	136,7%	261,6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1,2	1,5	1,2	2,6	0,4	0,4	0,4	1,6	4,0	5,4

PERFORMANCE INDICATORS AND BENCHMARKS

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Harry Gwala's borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

Borrowing to asset ratio is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 1.0 per cent to nothing in 2017/18, it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

No projects are funded from Borrowing in the MTREF

In summary, various financial risks could have a negative impact on the future borrowing District of the municipality. In particular, the continued ability of the district to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2017/18 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

Liquidity (reference SA8)

Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the District has set a limit of 1.5, hence at no point in time should this ratio be less than 1. For the 2017/18 MTREF the current ratio is 0.4 in the 2018/19 financial year and 1.7, 2.8 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2017/18 financial year the ratio was 0.3 and it has been increased to 2.6 in the 2019/20 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the District. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

Revenue Management

As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

Creditors Management

The district has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality will seek to ensure an improvement a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on suppliers' perceptions of risk of doing business with the district, which is expected to benefit the district in the form of more competitive pricing of tenders, as suppliers compete for the district business.

Other Indicators

The water distribution losses have been increased from 32 per cent in 2016/17 to 40 per cent in 2017/18. This has been achieved with the introduction of a water leakage report and action centre. The intention is to further rollout additional depots within the District to further leverage from the efficiency that the centre offers. It is planned to reduce distribution losses from 40 per cent in 2016/17 to at least 30 per cent by 2017/18.

Employee costs as a percentage of operating revenue continues to increase from 36 per cent in 2017/18 and 36 per cent for the outer year. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of Harry Gala's strategy to ensure the management of its asset base.

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the District.

For the 2017/18 financial year all households in the district have been budgeted for the 6 free kilo litres. Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

Providing clean water and managing waste water

Harry Gwala district is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Only in the Ubuhlebezwe local municipal area is a districts bulk water needs provided by Umngeni water and Ugu District municipality while the remaining supplier is generated from the district own water sources, such as boreholes and small dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the district:

1. The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
2. Shortage of skilled personnel makes proper operations and maintenance difficult;
3. Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
4. There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

1. Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
2. The filling of vacancies has commenced and there is training that embark on an in-house, especially for operational personnel and plumbers;
3. The District Division is to install dedicated power supply lines to the plants; and
4. The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 OVERVIEW OF BUDGET RELATED-POLICIES

The district budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Review of credit control and debt collection procedures/policies

As the most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the district's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the district revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the district continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in May 2016. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the district system of delegations. The Budget and Virement Policy was approved by Council after having been amended accordingly.

Cash Management and Investment Policy

The aim of the policy is to ensure that the district surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

Tariff Policies

The district tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2017/18 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

1. Approved 2016/17 Adjustments Budget;
2. Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
3. Economic climate and trends (i.e. Inflation, household debt levels, indigent factors, growth, recessionary implications);
4. Loan and investment possibilities;
5. Performance trends;
6. Tariff Increases;
7. The ability of the community to pay for services (affordability);

8. Policy priorities;
9. Improved and sustainable service delivery; and
10. Debtor payment levels.

All the above policies are available on the district website, as well as the following budget related policies:

- a) Funding and Reserves Policy;
- b) Borrowing Policy;
- c) Budget Policy; and
- d) Basic Social Services Package (Indigent Policy).
- e) Appointment of Consultants
- f) Loss Control Policy

The proposed amendments to the budget policies have been included as Annexure C.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

External factors

The economy is still recovering from the recession it has had in the past 2 years. Owing to the economic slowdown and the high unemployment levels, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the district's finances.

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

1. National Government macro-economic targets;
2. The general inflationary outlook and the impact on district's residents and businesses;
3. The impact of municipal cost drivers;
4. The increase in the price of bulk water; and other input costs like District and fuel,
5. The increase in the cost of remuneration. Employee related costs comprise 35 per cent of total operating expenditure in the 2017/18 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.
6. Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the district, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Salary increases

The collective agreement regarding salaries/wages came into operation on the 01 July 2015 and shall remain in force until 30 June 2018. Year three is an average CPI and 1 per cent.

Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

1. Creating jobs;
2. Enhancing education and skill development;
3. Improving Health services;
4. Rural development and agriculture; and
5. Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 99 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2017/18 MTREF of which performance has been factored into the cash flow budget.

2.6 OVERVIEW OF BUDGET FUNDING

Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the operating revenue over the medium-term

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Current Year		2017/18 Medium Term Revenue & Expenditure Framework					
	2016/17 Adjusted Budget	%	Budget Year 2017/18	%	Budget Year +1 2018/19	%	Budget Year +2 2019/20	%
Revenue By Source								
Service charges - water revenue	35 488	9%	39 269	10%	41 625	10%	44 122	10%
Service charges - sanitation revenue	15 209	4%	16 122	4%	17 089	4%	18 114	4%
Service charges - other	1 558	0%						
Interest earned - external investments	5 500	1%	5 830	2%	3 500	1%	4 000	1%
Interest earned - outstanding debtors	15 158	4%	9 000	2%	9 540	2%	10 112	2%
Transfers and subsidies	300 862	80%	303 439	81%	336 126	82%	361 280	82%
Other revenue	2 057	1%	3 150	1%	2 781	1%	2 909	1%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	375 831	100%	376 809	100%	410 661	100%	440 538	100%
Total Operating Expenditure	437 564		391 708		424 954		444 662	
Surplus/Deficit	(61 733)		(14 899)		(14 292)		(4 125)	

The following graph is a breakdown of the operational revenue per main category for the 2017/18 financial year.

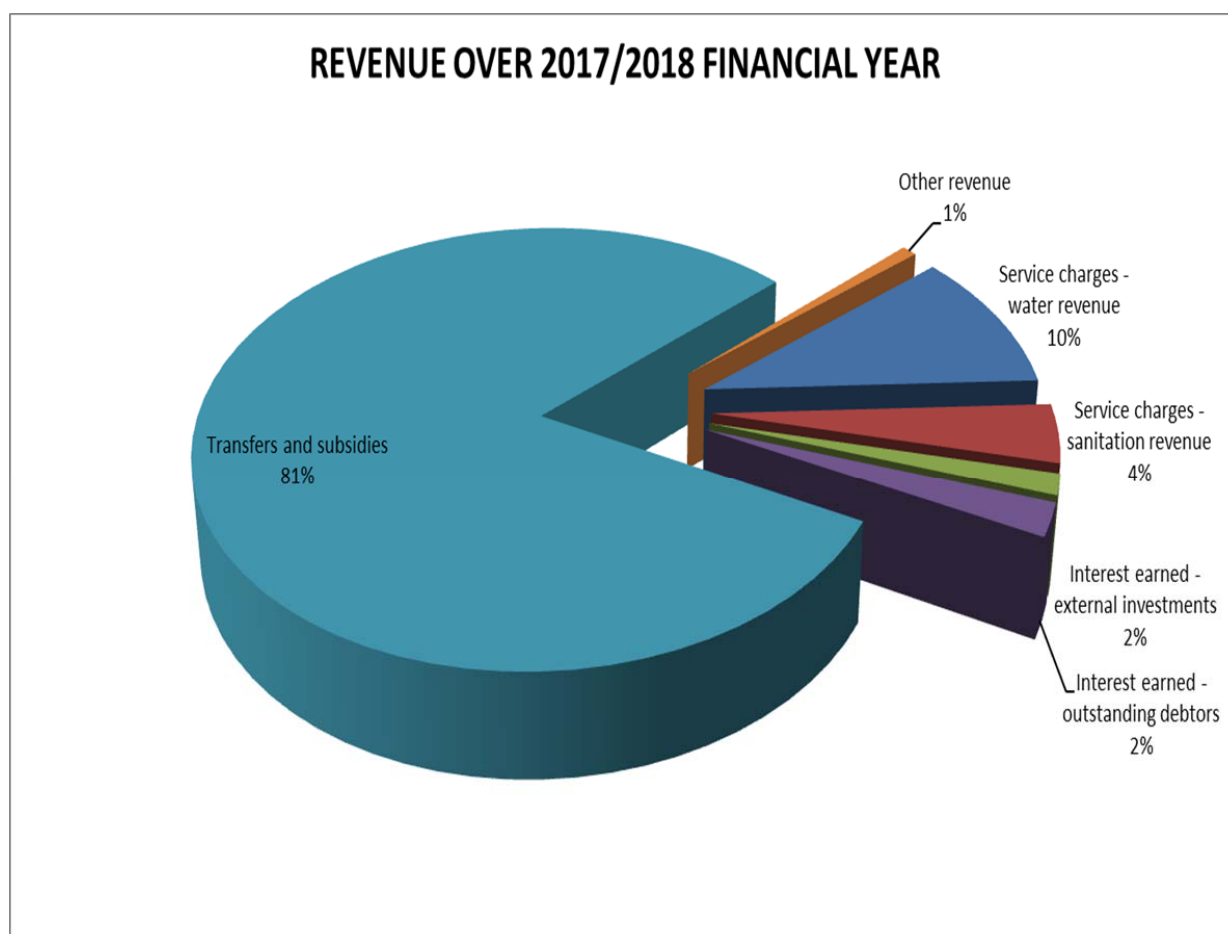


Figure 6 Breakdown of operating revenue over the 2017/18 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The district derives most of its operational revenue from the provision of goods and services such as water and sanitation.

The revenue strategy is a function of key components such as:

1. Growth in the District and economic development;
2. Revenue management and enhancement;
3. Achievement of a 70 per cent annual collection rate for consumer revenue;
4. National Treasury guidelines;
5. District tariff increases within the National District Regulator of South Africa (NERSA) approval;
6. Achievement of full cost recovery of specific user charges;
7. Determining tariff escalation rate by establishing/calculating revenue requirements;

8. And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2017/18 MTREF on the different revenue categories are:

Table 33 Proposed tariff increases over the medium-term

DC43 Harry Gwala - Supporting Table SA14 Household bills						
Description	2016/2017	2017/2018	2018/2018	2016/2017	2017/2018	2018/2018
	Proposed Tariffs Increase	Proposed Tariffs Increase	Proposed Tariffs Increase	Additional Revenue for 1% tariffs increase	Additional Revenue for 1% tariffs increase	Additional Revenue for 1% tariffs increase
Service Charges-Water	0,06	0,06	0,06	R 384 093	R 407 138	R 431 566
Service Charges -Sanitation	0,06	0,06	0,06	R 164 611	R 174 488	R 184 957
TOTAL				R 548 704	R 581 626	R 616 524

Services charges relating to water and sanitation constitute the biggest component of the revenue basket of the district totaling R548 million for the 2017/18 financial year and increasing to R616 million by 2018/19. For the 2017/18 financial year services charges amount to 10 per cent of the total revenue base and decrease by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of water.

Operational grants and subsidies amount to R303 million, R336 million and R361 million for each of the respective financial years of the MTREF, or 1%, 11% and 7 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 25 per cent and 8 per cent for 2017/18, 5 per cent for the 2018/19. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the District with a budget allocation of R5.8 million, R3.5 million and R4million for the respective three financial years of the 2017/18 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 34 MBRR SA15 – Detail Investment Information

Harry Gwala District Municipality does not have investments.

DC43 Harry Gwala - Supporting Table SA15 Investment particulars by type

Investment type	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand									
Parent municipality									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	12 500	-	-	-	-	-	-	-	-
Deposits - Public Investment Commissioners									
Municipal Bonds									
Municipality sub-total	12 500	-	-	-	-	-	-	-	-
Consolidated total:	12 500	-	-	-	-	-	-	-	-

Table 35 MBRR SA16 – Investment particulars by maturity

DC43 Harry Gwala - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Expiry date of investment
Name of institution & investment ID	Yrs/Months					
<u>Parent municipality</u>						
FIRST NATIONAL BANK	n/a	MONEY MARKET	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
INVESTEC	n/a	FIXED DEPOSIT	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
FIRST NATIONAL BANK	n/a	CALL ACCOUNT	No	Variable	n/a	n/a
TOTAL INVESTMENTS AND INTEREST						

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted deficit of R14, 8 million, R14, 2million and R4 million in each of the financial years. Non-cash items resulting in deficit that is confined within the total and do not affect cash backing of the budget.

Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

Table 36 Sources of capital revenue over the MTREF

DC43 Harry Gwala - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	2016/17 Current Year		2017/18 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2017/18	%	Budget Year +1 2018/19	%	Budget Year +2 2019/20	%
Funded by:								
National Government	309 101		387 323		419 778		420 072	
Provincial Government								
Transfers recognised - capital	309 101	99%	387 323	98%	419 778	99%	420 072	99%
Internally generated funds	2 732	1%	6 510	2%	6 300	1%	5 050	1%
Total Capital Funding	311 833	100%	393 833	100%	426 078	100%	425 122	100%

The above table is graphically represented as follows for the 2017/18 financial year.

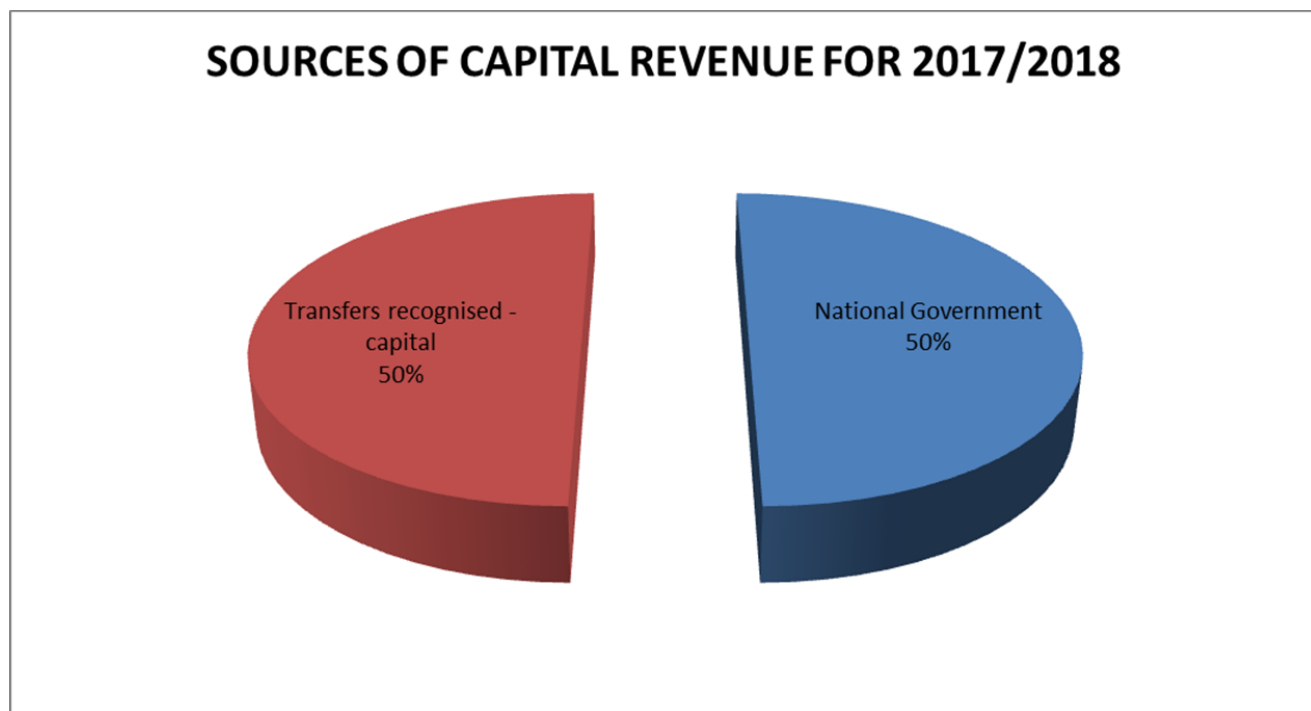


Figure 7 Sources of capital revenue for the 2017/18 financial year

Capital grants and receipts equates to 100 per cent of the total funding source which represents R87 million for the 2017/18 financial year and steadily increase to R419million and increase to R420million for 2019/209. Growth relating to an average receipts of 25 per cent over the medium-term.

The following table is a detailed analysis of the District's borrowing liability.

Table 37 MBRR Table SA 17 - Detail of borrowings

DC43 Harry Gwala - Supporting Table SA17 Borrowing

Borrowing - Categorised by type R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Parent municipality									
Annuity and Bullet Loans	-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)	27 193	22 481	17 231	12 353	12 353	12 353	12 353	8 657	4 555
Local registered stock	-	-	-	-	-	-	-	-	-
Municipality sub-total	27 193	22 481	17 231	12 353	12 353	12 353	12 353	8 657	4 555
Entities									
Annuity and Bullet Loans	-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)	-	20	23	-	-	-	26	27	28
Local registered stock	-	-	-	-	-	-	-	-	-
Other Securities	-	-	-	-	-	-	-	-	-
Entities sub-total	-	20	23	-	-	-	26	27	28
Total Borrowing	27 193	22 501	17 255	12 353	12 353	12 353	12 379	8 684	4 583

The following graph illustrates the growth in outstanding borrowing for the 2012/13 to 2018/19 period.

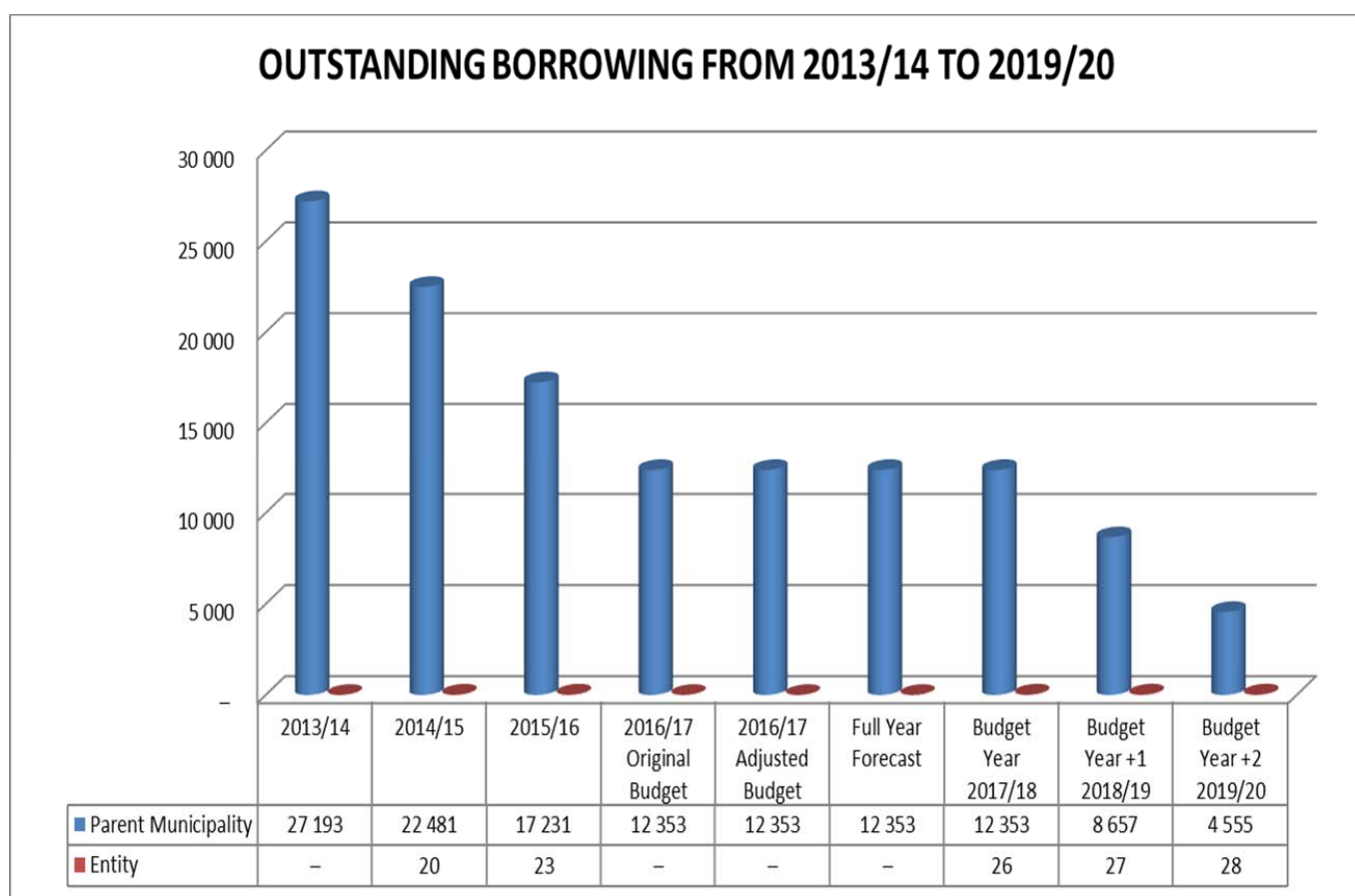


Figure 8 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it

becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below.

Table 38 MBRR Table SA 18 - Capital transfers and grant receipts

DC43 Harry Gwala - Supporting Table SA18 Transfers and grant receipts

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand									
RECEIPTS:									
Operating Transfers and Grants									
National Government:	225 310	263 074	259 223	277 232	300 862	300 862	303 439	335 626	360 780
Local Government Equitable Share	216 056	230 622	241 033	260 069	260 069	260 069	285 028	318 779	345 521
Finance Management	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 000	1 000
Municipal Systems Improvement	890	934	940	1 041	-	-	-	-	-
Municipal Infrastructure Grant (PMU)	300	18 724	9 460	4 777	16 084	16 084	5 222	5 537	5 820
Energy Efficiency And Demand Side Management Grant	5 000	5 000	-	8 000	8 000	8 000	8 000	8 000	6 000
Water Services Operating Subsidy	-	-	-	-	10 000	10 000	-	-	-
Rural Roads Asset Management Grant	1 814	2 044	2 040	2 095	2 095	2 095	2 221	2 310	2 439
Rural Household Infrastructure Grant	-	4 500	4 500	-	-	-	-	-	-
Expanded public works programme incentive grant	-	-	-	-	3 364	3 364	1 718	-	-
Other transfers/grants [insert description]	-	-	-	-	-	-	-	-	-
Provincial Government:	297	750	1 180	400	-	-	-	500	500
Infrastructure Sport Facilities	253	-	-	-	-	-	-	-	-
LG Seta	44	-	80	-	-	-	-	-	-
Development Planning Shared Services	-	250	1 100	400	-	-	-	500	500
Tourism route	-	500	-	-	-	-	-	-	-
Total Operating Transfers and Grants	225 607	263 824	260 403	277 632	300 862	300 862	303 439	336 126	361 280
Capital Transfers and Grants									
National Government:	227 486	267 611	244 290	335 772	309 101	309 101	387 323	419 778	420 072
Municipal Infrastructure Grant (MIG)	173 618	183 882	183 324	186 290	174 983	174 983	199 323	211 378	224 149
Regional Bulk Infrastructure	37 429	58 200	14 000	60 000	48 000	48 000	90 000	100 000	97 923
Municipal Water Infrastructure Grant	13 700	22 800	43 500	86 118	76 118	76 118	98 000	108 400	98 000
Expanded public works programme incentive grant	2 739	2 729	3 466	3 364	-	-	-	-	-
Rural Household Infrastructure Grant	-	-	-	-	-	-	-	-	-
Drought Relief	-	-	-	-	10 000	10 000	-	-	-
Provincial Government:	-	-	-	-	-	-	-	-	-
Ubuhlebezwe Grant	3 000	-	-	-	-	-	-	-	-
COGTA	617	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	227 486	267 611	244 290	335 772	309 101	309 101	387 323	419 778	420 072
TOTAL RECEIPTS OF TRANSFERS & GRANTS	453 093	531 435	504 693	613 404	609 963	609 963	690 762	755 904	781 352

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

1. Clear separation of receipts and payments within each cash flow category;

2. Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
3. Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 39 MBRR Table A7 - Budget cash flow statement

DC43 Harry Gwala - Table A7 Budgeted Cash Flows

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	23 602	25 156	13 767	32 408	42 081	42 081	42 081	29 911	28 852	30 583
Other revenue	7 497	3 645	305	310	310	310	310	1 575	1 391	1 454
Government - operating	287 901	294 730	324 189	288 059	308 623	308 623	308 623	303 439	336 126	361 280
Government - capital	200 816	239 956	244 290	335 772	309 101	309 101	309 101	387 323	419 778	420 072
Interest	3 426	3 669	3 364	3 700	7 138	7 138	7 138	5 830	3 500	4 000
Payments										
Suppliers and employees	(323 536)	(312 593)	(352 806)	(329 288)	(390 993)	(390 993)	(390 993)	(346 964)	(380 687)	(393 662)
Finance charges	(3 514)	(3 714)	(2 890)	(1 951)	(2 019)	(2 019)	(2 019)	(2 009)	(2 127)	(2 251)
Transfers and Grants	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	196 191	250 849	230 219	329 010	274 241	274 241	274 241	379 104	406 832	421 477
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	–	(242)	(436)	–	–	–	–	–	–	–
Payments										
Capital assets	(188 304)	(241 654)	(242 590)	(313 188)	(277 696)	(277 696)	(277 696)	(351 024)	(419 778)	(420 072)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(188 304)	(241 896)	(243 026)	(313 188)	(277 696)	(277 696)	(277 696)	(351 024)	(419 778)	(420 072)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Increase (decrease) in consumer deposits	–	–	–	178	178	178	178	200	226	254
Payments										
Repayment of borrowing	(5 953)	(6 849)	(3 819)	(3 000)	(4 547)	(4 547)	(4 547)	(3 330)	(3 697)	(4 102)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(5 953)	(6 849)	(3 819)	(2 822)	(4 369)	(4 369)	(4 369)	(3 130)	(3 471)	(3 848)
NET INCREASE/ (DECREASE) IN CASH HELD	1 934	2 104	(16 626)	13 000	(7 824)	(7 824)	(7 824)	24 951	(16 416)	(2 443)
Cash/cash equivalents at the year begin:	32 076	34 010	36 115	19 877	5 819	5 819	5 819	5 000	29 951	13 534
Cash/cash equivalents at the year end:	34 010	36 114	19 490	32 877	(2 005)	(2 005)	(2 005)	29 951	13 534	11 091

The above table shows that cash and cash equivalents of the District were largely increasing between the 2013/14 and 2014/15 financial year moving from a cash balance of R34m to R36 million then decrease in 2015/16 then start improving again from 2017/18 MTREF. With the 2016/17 adjustments budget various cost efficiencies had to be realised to ensure the District could meet its operational expenditure commitments and to improve its cash flow in 2017/18 financial year. In addition the District undertook an extensive debt collection process but it was not that successful. These interventions have translated into a deficit for the District and it is projected that cash and cash equivalents on hand showed a surplus of R4 million by the financial year end. For the 2017/18 MTREF the budget has been prepared to continue ensuring high levels of cash and cash equivalents over the medium-term with cash levels anticipated to be R29 million by 2017/18 and decreasing to R11 million by 2019/20.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- a) What are the predicted cash and investments that are available at the end of the budget year?
- b) How are those funds used?
- c) What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected).

It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 40 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

DC43 Harry Gwala - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available										
Cash/cash equivalents at the year end	34 010	36 114	19 490	32 877	(2 005)	(2 005)	(2 005)	29 951	13 534	11 091
Other current investments > 90 days	(4 536)	-	-	-	8 578	8 578	8 578	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	29 474	36 114	19 490	32 877	6 573	6 573	6 573	29 951	13 534	11 091
Application of cash and investments										
Unspent conditional transfers	19 772	7 797	14 577	3 234	3 234	3 234	3 234	6 645	5 980	5 316
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	57 932	129 592	189 375	25 938	188 363	188 363	188 363	18 673	15 998	9 694
Other provisions	-	7 293	14 334	3 804	3 804	3 804	3 804	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	77 704	144 682	218 286	32 976	195 401	195 401	195 401	25 318	21 978	15 010
Surplus(shortfall)	(48 229)	(108 568)	(198 797)	(100)	(188 828)	(188 828)	(188 828)	4 633	(8 444)	(3 918)

From the above table it can be seen that the cash and investments available total R29.3 million in the 2017/18 financial year and progressively increase to R138 million by 2019/20, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the District to meet its creditor obligations.

The 2017/18 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the District will be to ensure that the underlying

planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

Figure 9 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 41 MBRR SA10 – Funding compliance measurement

DC43 Harry Gwala Supporting Table SA10 Funding measurement

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Funding measures										
Cash/cash equivalents at the year end - R'000	34 010	36 114	19 490	32 877	(2 005)	(2 005)	(2 005)	29 951	13 534	11 091
Cash + investments at the yr end less applications - R'000	(48 229)	(108 568)	(198 797)	(100)	(188 828)	(188 828)	(188 828)	4 633	(8 444)	(3 918)
Cash year end/monthly employee/supplier payments	1,7	1,7	0,7	1,4	(0,1)	(0,1)	(0,1)	1,3	0,5	0,4
Surplus/(Deficit) excluding depreciation offsets: R'000	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Service charge rev % change - macro CPIX target exclusive	N.A.	7,3%	(28,5%)	35,1%	(21,9%)	(6,0%)	(6,0%)	2,8%	0,0%	0,0%
Cash receipts % of Ratepayer & Other revenue	55,1%	44,8%	26,1%	47,0%	62,7%	62,7%	62,7%	46,6%	42,6%	42,6%
Debt impairment expense as a % of total billable revenue	47,5%	21,0%	59,6%	43,0%	51,2%	51,2%	51,2%	50,3%	50,3%	50,3%
Capital payments % of capital expenditure	100,1%	99,3%	99,9%	89,4%	88,6%	88,6%	88,6%	89,1%	98,4%	98,7%
Borrowing receipts % of capital expenditure (excl. transfers)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt legislated/gazetted allocations								0,0%	0,0%	0,0%
Current consumer debtors % change - incr(decr)	N.A.	(44,4%)	45,9%	23,0%	0,0%	0,0%	0,0%	(29,0%)	18,3%	15,0%
Long term receivables % change - incr(decr)	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	5,1%	4,7%	4,4%	4,6%	4,7%	4,7%	4,7%	4,0%	3,3%	3,1%
Asset renewal % of capital budget	3,5%	1,9%	5,2%	1,4%	0,9%	0,9%	0,0%	1,3%	0,0%	4,7%

Cash/cash equivalent position

The District's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the consolidated 2017/18 MTREF show R29 million, R13 million and R11million for each respective financial year.

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the District to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection. Notably, the ratio has been falling significantly for the period 2013/14 to 2016/17, moving from 1.5 to 0.3 this ratio improved from 1.2 to 5.2 in the 2018/19 MTREF.

Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2017/18 MTREF the indicative outcome is a deficit of R14, 8 million, R14, 2 million and R4 million mainly due of increase in debt impairment as a conservative approach to estimating the collection levels and the other major reason contributing to the deficit is a depreciation and asset impairment budget of R 34m in 2017/2018 and increasing to R39m in 2019/2020. For the consolidated 2017/2018 MTREF indicate outcome is also a deficit of R14,5m, R13, 8m and R3, 6m in 2019/20 financial year.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase. The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen

that the percentage growth totals 0 per cent for the respective financial year of the 2017/18 MTREF. Considering tariff increase in relation to revenue generated from rates and services charges is 6 per cent. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 60.2 for the each of the respective financial years. Given that the assumed collection rate was based on a 70 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 32.9 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that

not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The District has budgeted for all transfers.

Consumer debtors change (Current and Non-current)

The purpose of this measure is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the District's policy of settling debtor's accounts within 30 days.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

Table 42 MBRR SA19 - Expenditure on transfers and grant programmes

DC43 Harry Gwala - Supporting Table SA18 Transfers and grant receipts

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	225 310	263 074	259 223	277 232	300 862	300 862	303 439	335 626	360 780
Local Government Equitable Share	216 056	230 622	241 033	260 069	260 069	260 069	285 028	318 779	345 521
Finance Management	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 000	1 000
Municipal Systems Improvement	890	934	940	1 041	-	-	-	-	-
Municipal Infrastructure Grant (PMU)	300	18 724	9 460	4 777	16 084	16 084	5 222	5 537	5 820
Energy Efficiency And Demand Side Management Grant	5 000	5 000	-	8 000	8 000	8 000	8 000	8 000	6 000
Water Services Operating Subsidy	-	-	-	-	10 000	10 000	-	-	-
Rural Roads Asset Management Grant	1 814	2 044	2 040	2 095	2 095	2 095	2 221	2 310	2 439
Rural Household Infrastructure Grant	-	4 500	4 500				-	-	-
Expanded public works programme incentive grant					3 364	3 364	1 718	-	-
Other transfers/grants [insert description]									
Provincial Government:	297	750	1 180	400	-	-	-	500	500
Infrastructure Sport Facilities	253	-	-	-	-	-	-	-	-
LG Seta	44	-	80	-	-	-	-	-	-
Development Planning Shared Services	-	250	1 100	400	-	-	-	500	500
Tourism route	-	500	-	-	-	-	-	-	-
Total Operating Transfers and Grants	225 607	263 824	260 403	277 632	300 862	300 862	303 439	336 126	361 280

Table 43 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

DC43 Harry Gwala - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Operating transfers and grants:									
National Government:									
Current year receipts	287 887	281 447	280 041	277 232	300 862	300 862	303 439	335 626	360 780
Conditions met - transferred to revenue	287 887	281 447	280 041	277 232	300 862	300 862	303 439	335 626	360 780
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Current year receipts	297	750	1 100	400	-	-	-	500	500
Conditions met - transferred to revenue	297	750	1 100	400	-	-	-	500	500
Total operating transfers and grants revenue	288 184	282 197	281 141	277 632	300 862	300 862	303 439	336 126	361 280
Capital transfers and grants:									
National Government:									
Current year receipts	195 511	232 136	238 981	335 772	299 101	299 101	387 323	419 778	420 072
Conditions met - transferred to revenue	195 511	232 136	238 981	335 772	299 101	299 101	387 323	419 778	420 072
Provincial Government:									
Current year receipts	3 617	-	-	-	10 000	10 000	-	-	-
Conditions met - transferred to revenue	3 617	-	-	-	10 000	10 000	-	-	-
Total capital transfers and grants revenue	199 128	232 136	238 981	335 772	309 101	309 101	387 323	419 778	420 072
TOTAL TRANSFERS AND GRANTS REVENUE	487 312	514 333	520 122	613 404	609 963	609 963	690 762	755 904	781 352

Councilor and employee benefits

Table 44 MBRR SA22 - Summary of councilor and staff benefits

DC43 Harry Gwala - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	2 877	3 227	1 207	5 361	5 361	5 361	5 790	6 253	6 753
Pension and UIF Contributions	441	441	311	399	399	399	431	465	503
Medical Aid Contributions	104	104	771	94	94	94	101	110	118
Motor Vehicle Allowance	1 301	1 301	621	1 178	1 178	1 178	1 272	1 374	1 484
Cellphone Allowance	286	286	2 636	259	259	259	279	302	326
Housing Allowances	–	–	1 618	–	–	–	–	–	–
Other benefits and allowances	680	680	742	616	616	616	665	719	776
Sub Total - Councillors	5 688	6 038	7 906	7 906	7 906	7 906	8 539	9 222	9 960
% increase		6,2%	30,9%	–	–	–	8,0%	8,0%	8,0%
Senior Managers of the Municipality									
Basic Salaries and Wages	4 632	5 255	5 267	5 615	5 615	5 615	4 872	6 560	7 084
Pension and UIF Contributions	3	3	3	3	3	3	4	4	4
Medical Aid Contributions	5	6	6	6	6	6	6	7	8
Overtime	–	–	–	–	–	–	–	–	–
Performance Bonus	640	726	727	776	776	776	839	906	978
Motor Vehicle Allowance	2 896	3 285	3 293	3 511	3 511	3 511	2 595	4 101	4 429
Cellphone Allowance	136	154	154	164	164	164	178	192	207
Housing Allowances	–	–	–	–	–	–	–	–	–
Other benefits and allowances	4	5	5	5	5	5	5	6	6
Sub Total - Senior Managers of Municipality	8 316	9 434	9 455	10 080	10 080	10 080	8 500	11 775	12 717
% increase		13,4%	0,2%	6,6%	–	–	(15,7%)	38,5%	8,0%
Other Municipal Staff									
Basic Salaries and Wages	73 606	83 504	83 693	89 226	89 226	89 226	97 710	104 229	112 568
Pension and UIF Contributions	12 445	14 119	14 151	15 087	15 087	15 087	16 318	17 623	19 033
Medical Aid Contributions	1 720	1 951	1 955	2 085	2 085	2 085	2 255	2 435	2 630
Overtime	1 537	1 743	1 747	1 863	1 863	1 863	2 015	2 176	2 350
Performance Bonus	6 820	7 737	7 755	8 267	8 267	8 267	8 942	9 658	10 430
Motor Vehicle Allowance	3 135	3 556	3 564	3 800	3 800	3 800	5 312	4 439	4 794
Cellphone Allowance	535	607	608	648	648	648	701	757	818
Housing Allowances	46	53	53	56	56	56	61	66	71
Other benefits and allowances	2 050	2 326	2 331	2 485	2 485	2 485	2 688	2 903	3 135
Sub Total - Other Municipal Staff	101 895	115 597	115 858	123 518	123 518	123 518	136 002	144 287	155 830
% increase		13,4%	0,2%	6,6%	–	–	10,1%	6,1%	8,0%
Total Parent Municipality	115 898	131 068	133 219	141 504	141 504	141 504	153 040	165 284	178 506
		13,1%	1,6%	6,2%	–	–	8,2%	8,0%	8,0%
TOTAL SALARY, ALLOWANCES & BENEFITS	115 898	131 068	133 219	141 504	141 504	141 504	153 040	165 284	178 506
% increase		13,1%	1,6%	6,2%	–	–	8,2%	8,0%	8,0%
TOTAL MANAGERS AND STAFF	110 210	125 030	125 313	133 598	133 598	133 598	144 502	156 062	168 547

DC43 Harry Gwala - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
	A	B	C	D	E	F	G	H	I
		13,1%	1,6%	6,2%	-	-	8,2%	8,0%	8,0%
Board Members of Entities									
Board Fees	358	545	250	350	350	350	350	368	386
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Board Members of Entities	358	545	250	350	350	350	350	368	386
% increase		52,4%	(54,2%)	40,0%	-	-	-	5,0%	5,0%
Senior Managers of Entities									
Basic Salaries and Wages	1 369	2 464	1 926	1 018	1 018	1 018	2 006	2 174	2 348
Motor Vehicle Allowance	607	1 093	1 191	1 299	1 299	1 299	1 415	1 532	1 655
Cellphone Allowance	24	43	47	51	51	51	56	61	66
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	24	42	46	50	50	50	55	59	64
Post-retirement benefit obligations	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Entities	2 024	3 642	3 211	2 419	2 419	2 419	3 533	3 826	4 132
% increase		80,0%	(11,9%)	(24,7%)	-	-	46,1%	8,3%	8,0%
Other Staff of Entities									
Basic Salaries and Wages	3 371	1 738	2 528	9 374	5 715	5 715	11 444	11 883	12 345
Pension and UIF Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Overtime	-	-	-	-	-	-	-	-	-
Performance Bonus	-	136	148	161	161	161	176	190	205
Motor Vehicle Allowance	213	-	-	-	-	-	-	-	-
Cellphone Allowance	42	-	-	-	-	-	-	-	-
Housing Allowances	-	-	-	-	-	-	-	-	-
Other benefits and allowances	86	279	304	332	332	332	362	391	422
Sub Total - Other Staff of Entities	3 712	2 153	2 980	9 867	6 208	6 208	11 981	12 465	12 972
% increase		(42,0%)	38,4%	231,1%	(37,1%)	-	93,0%	4,0%	4,1%
Total Municipal Entities	6 094	6 341	6 441	12 636	8 977	8 977	15 864	16 658	17 490
TOTAL SALARY, ALLOWANCES & BENEFITS	121 992	137 409	139 660	154 140	150 481	150 481	168 905	181 942	195 997
% increase		12,6%	1,6%	10,4%	(2,4%)	-	12,2%	7,7%	7,7%
TOTAL MANAGERS AND STAFF	115 946	130 826	131 504	145 884	142 225	142 225	160 016	172 353	185 651

Table 45 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councilors/ senior managers)

DC43 Harry Gwala - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.				2.
Councillors						
Speaker	482 760					482 760
Chief Whip	1 147 823					1 147 823
Executive Mayor	1 424 398					1 424 398
Deputy Executive Mayor	1 147 823					1 147 823
Executive Committee	2 157 236					2 157 236
Total for all other councillors	2 178 630					2 178 630
Total Councillors	8 538 670	-	-			8 538 670
Senior Managers of the Municipality						
Municipal Manager (MM)	1 573 339					1 573 339
Chief Finance Officer	1 495 753					1 495 753
Head: Corporate Service	1 357 633					1 357 633
Head: Social Services	1 357 633					1 357 633
Head: Infrastructure	1 357 633					1 357 633
Head: Water Services	1 357 633					1 357 633
Total Senior Managers of the Municipality	8 499 624	-	-	-		8 499 624
A Heading for Each Entity						
List each member of board by designation						
Dr I B MKHIZE	156 000					156 000
Mr Z DUMA	97 000					97 000
Mr V Made	97 000					97 000
						-
Total for municipal entities	350 000	-	-	-		350 000
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	17 388 294	-	-	-		17 388 294

Table 46 MBRR SA24 – Summary of personnel numbers

DC43 Harry Gwala - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	2015/16			Current Year 2016/17			Budget Year 2017/18		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	26	–	26	26	–	26	26	–	26
Board Members of municipal entities	–	–	–	–	–	–	3	–	3
Municipal employees	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	6	–	6	6	–	6	8	–	8
Other Managers	16	16	–	16	16	–	19	15	3
Professionals	49	44	–	49	44	–	53	53	4
Finance	3	3	–	3	3	–	7	3	4
Spatial/town planning	1	1	–	1	1	–	1	1	–
Information Technology	2	2	–	2	2	–	2	3	–
Roads	1	1	–	1	1	–	1	1	–
Electricity	1	1	–	1	1	–	1	1	–
Water	8	8	–	8	8	–	8	8	–
Sanitation	2	2	–	2	2	–	2	2	–
Refuse	1	1	–	1	1	–	1	1	–
Other	30	25	–	30	25	–	30	33	–
Technicians	36	36	–	36	36	–	36	35	–
Finance	7	7	–	7	7	–	7	7	–
Spatial/town planning	4	4	–	4	4	–	4	4	–
Information Technology	1	1	–	1	1	–	1	–	–
Roads	1	1	–	1	1	–	1	1	–
Electricity	1	1	–	1	1	–	1	1	–
Water	4	4	–	4	4	–	4	4	–
Sanitation	3	3	–	3	3	–	3	3	–
Refuse	1	1	–	1	1	–	1	1	–
Other	13	13	–	13	13	–	13	13	–
Clerks (Clerical and administrative)	74	74	–	74	74	–	76	74	2
Service and sales workers	1	1	–	1	1	–	1	1	–
Skilled agricultural and fishery workers	1	1	–	1	1	–	1	1	–
Craft and related trades	1	1	–	1	1	–	1	1	–
Plant and Machine Operators	95	95	–	95	95	–	95	106	–
Elementary Occupations	45	39	–	45	39	–	48	47	3
TOTAL PERSONNEL NUMBERS	350	308	32	350	308	32	367	333	49
% increase				–	–	–	4,9%	8,4%	53,1%
Total municipal employees headcount	356	310	62	357	311	62	357	311	62
Finance personnel headcount	45	45	–	46	46	–	46	46	–
Human Resources personnel headcount	10	10	10	10	10	10	10	10	10

2.8 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 47 MBRR SA25 - Budgeted monthly revenue and expenditure

DC43 Harry Gwala - Supporting Table SA25 Budgeted monthly revenue and expenditure															
Description	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source															
Property rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	3 142	3 534	3 534	3 142	2 749	3 142	3 927	3 534	3 927	2 749	3 142	2 749	39 269	41 625	44 122
Service charges - sanitation revenue	1 290	1 129	1 451	1 451	1 451	1 451	1 290	1 290	1 290	1 129	1 290	1 612	16 122	17 089	18 114
Interest earned - external investments	498	374	374	498	460	810	460	460	460	810	460	565	6 230	3 920	4 441
Interest earned - outstanding debtors	720	720	720	1 170	720	720	720	720	720	720	720	630	9 000	9 540	10 112
Transfers and subsidies	121 375	-	-	-	100 135	-	-	-	81 928	-	-	-	303 439	336 126	361 280
Other revenue	221	252	189	221	316	379	284	410	221	189	189	284	3 155	2 786	2 914
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	127 246	6 009	6 268	6 482	105 830	6 501	6 681	6 414	88 546	5 597	5 801	5 840	377 214	411 086	440 984
Expenditure By Type															
Employee related costs	13 393	13 393	13 393	13 393	13 393	13 393	13 393	13 393	13 393	13 393	13 393	13 393	160 716	173 087	186 423
Remuneration of councillors	712	712	712	712	712	712	712	712	712	712	712	712	8 539	9 222	9 960
Debt impairment	2 320	2 320	2 320	2 320	2 320	2 320	2 320	2 320	2 320	2 320	2 320	2 320	27 843	29 513	31 284
Depreciation & asset impairment	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	34 966	37 627	40 462
Finance charges	-	-	-	-	-	1 200	-	-	-	-	-	-	809	2 127	2 251
Bulk purchases	946	946	946	946	946	946	946	946	946	946	946	946	11 352	12 022	12 719
Contracted services	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	22 768	22 864	20 799
Transfers and subsidies	6 667	-	-	-	6 667	-	-	-	6 667	-	-	(20 000)	-	-	-
Other expenditure	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	10 299	123 590	138 500	140 712
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	39 150	32 484	32 484	32 484	39 150	33 684	32 484	32 484	39 150	32 484	32 484	13 293	391 812	424 963	444 610
Surplus/(Deficit)	88 096	(26 475)	(26 215)	(26 002)	66 680	(27 183)	(25 803)	(26 069)	49 396	(26 887)	(26 683)	(7 453)	(14 598)	(13 877)	(3 626)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	32 277	32 277	32 277	32 277	32 277	32 277	32 277	32 277	32 277	32 277	32 277	32 277	387 323	419 778	420 072
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	120 373	5 802	6 062	6 275	98 957	5 094	6 474	6 208	81 673	5 390	5 594	24 824	372 725	405 901	416 446
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	120 373	5 802	6 062	6 275	98 957	5 094	6 474	6 208	81 673	5 390	5 594	24 824	372 725	405 901	416 446

Table 48 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)																
Description		Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
Revenue by Vote																
Vote 1 - Council												-	-	-	-	
Vote 2 - Municipal Manager												-	-	-	-	
Vote 3 - Budget & Treasury Office	109 490		-		91 553	-	-		72 966	-	-	27 743	301 751	333 424	361 236	
Vote 4 - Corporate Services	-	-	-	-			-	-	-	-	-	-	-	-	-	
Vote 5 - Social & Development Planning		-	-	-		-	-			-	-	405	405	925	947	
Vote 6 - Infrastructure Services	113 886	23 571		18 770	97 555		15 477	4 383	64 874		-	65 968	404 484	435 625	434 331	
Vote 7 - Water Services	4 860	5 211	5 199	5 494	5 682	4 935	5 580	6 016	5 331	5 751	2 935	902	57 897	60 890	64 542	
Vote 8 - NDZ												-	-	-	-	
Total Revenue by Vote	228 236	28 782	5 199	24 265	194 790	4 935	21 057	10 399	143 171	5 751	2 935	95 018	764 537	830 864	861 056	
Expenditure by Vote to be appropriated																
Vote 1 - Council	532	579	940	956	1 242	988	939	930	1 269	938	1 343	1 690	12 346	13 857	15 669	
Vote 2 - Municipal Manager	724	787	1 278	1 300	1 690	1 344	1 277	1 265	1 726	1 276	1 827	657	15 150	16 332	17 538	
Vote 3 - Budget & Treasury Office	3 771	4 015	4 896	4 978	6 471	5 148	4 891	4 846	6 611	4 888	6 997	6 390	63 901	72 246	73 221	
Vote 4 - Corporate Services	3 164	3 354	3 822	3 886	5 052	4 019	3 818	3 783	5 161	3 816	5 463	4 972	50 312	53 581	57 042	
Vote 5 - Social & Development Planning	4 532	4 755	4 473	4 548	5 912	4 704	4 469	4 427	6 040	4 466	6 393	4 775	59 494	68 345	72 239	
Vote 6 - Infrastructure Services	2 311	2 413	3 199	3 234	3 858	3 305	3 197	3 178	3 917	3 196	4 078	3 305	39 191	38 328	35 028	
Vote 7 - Water Services	11 932	12 454	11 489	11 665	14 867	12 029	11 478	11 381	15 166	11 472	15 995	11 489	151 417	162 274	173 872	
Vote 8 - NDZ												-	-	-	-	
Total Expenditure by Vote	26 965	28 356	30 097	30 566	39 093	31 537	30 069	29 811	39 890	30 052	42 097	33 278	391 812	424 963	444 610	
Surplus/(Deficit) before assoc.																
	201 270	426	(24 898)	(6 302)	155 697	(26 602)	(9 012)	(19 412)	103 281	(24 301)	(39 163)	61 740	372 725	405 901	416 446	
Surplus/(Deficit)																
	201 270	426	(24 898)	(6 302)	155 697	(26 602)	(9 012)	(19 412)	103 281	(24 301)	(39 163)	61 740	372 725	405 901	416 446	

Table 49 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)

Description R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional															
<i>Governance and administration</i>	109 490	–	–	–	91 553	–	–	–	72 966	–	–	27 743	301 751	333 424	361 236
Executive and council													–	–	–
Finance and administration	109 490	–	–	–	91 553	–	–	–	72 966	–	–	27 743	301 751	333 424	361 236
Internal audit													–	–	–
<i>Economic and environmental services</i>	–	–	–	–	–	–	–	–	–	–	–	405	405	925	947
Planning and development												405	405	925	947
<i>Trading services</i>	118 746	28 782	5 199	24 265	103 237	4 935	21 057	10 399	70 205	5 751	2 935	66 870	462 381	496 515	498 873
Energy sources												–	–	–	–
Water management	4 860	5 211	5 199	5 494	5 682	4 935	5 580	6 016	5 331	5 751	2 935	902	57 897	60 890	64 542
Waste water management	113 886	23 571	–	18 770	97 555	–	15 477	4 383	64 874	–	–	65 968	404 484	435 625	434 331
Waste management													–	–	–
<i>Other</i>												–	–	–	–
Total Revenue - Functional	228 236	28 782	5 199	24 265	194 790	4 935	21 057	10 399	143 171	5 751	2 935	95 018	764 537	830 864	861 056
		28 782	5 199	24 265	194 790	4 935	21 057	10 399	143 171	5 751	2 935				
Expenditure - Functional															
<i>Governance and administration</i>	8 190	8 735	10 936	11 120	14 455	11 499	10 925	10 824	14 767	10 919	15 630	13 709	141 710	156 016	163 471
Executive and council	1 256	1 366	2 218	2 255	2 932	2 332	2 216	2 195	2 995	2 214	3 170	2 348	27 496	30 189	33 207
Finance and administration	6 935	7 369	8 718	8 864	11 523	9 167	8 709	8 629	11 772	8 704	12 460	11 362	114 213	125 827	130 263
Internal audit												–	–	–	–
<i>Economic and environmental services</i>	4 532	4 755	4 473	4 548	5 912	4 704	4 469	4 427	6 040	4 466	6 393	4 775	59 494	68 345	72 239
Planning and development	4 532	4 755	4 473	4 548	5 912	4 704	4 469	4 427	6 040	4 466	6 393	4 775	59 494	68 345	72 239
<i>Trading services</i>	14 243	14 867	14 688	14 898	18 725	15 334	14 675	14 559	19 083	14 668	20 074	14 793	190 608	200 603	208 900
Energy sources												–	–	–	–
Water management	11 932	12 454	11 489	11 665	14 867	12 029	11 478	11 381	15 166	11 472	15 995	11 489	151 417	162 274	173 872
Waste water management	2 311	2 413	3 199	3 234	3 858	3 305	3 197	3 178	3 917	3 196	4 078	3 305	39 191	38 328	35 028
Waste management												–	–	–	–
<i>Other</i>												–	–	–	–
Total Expenditure - Functional	26 965	28 356	30 097	30 566	39 093	31 537	30 069	29 811	39 890	30 052	42 097	33 278	391 812	424 963	444 610
Surplus/(Deficit) before assoc.	201 270	426	(24 898)	(6 302)	155 697	(26 602)	(9 012)	(19 412)	103 281	(24 301)	(39 163)	61 740	372 725	405 901	416 446
Surplus/(Deficit)	201 270	426	(24 898)	(6 302)	155 697	(26 602)	(9 012)	(19 412)	103 281	(24 301)	(39 163)	61 740	372 725	405 901	416 446

Table 50 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

DC43 Harry Gwala - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<i>Multi-year expenditure to be appropriated</i>															
Vote 1 - Council												-	-	-	-
Vote 2 - Municipal Manager												-	-	-	-
Vote 3 - Budget & Treasury Office												-	-	-	-
Vote 4 - Corporate Services	199	216	351	357	464	369	351	347	474	350	502	131	4 110	1 900	650
Vote 5 - Social & Development Planning	-	-	-	-	-	-	-	-	-	-	-	300	300	315	331
Vote 6 - Infrastructure Services	29 834	26 137	31 205	26 645	34 637	37 555	36 179	25 937	35 385	26 163	37 453	40 192	387 323	419 778	420 072
Vote 7 - Water Services	117	136	183	189	106	202	282	279	217	282	247	161	2 400	4 400	4 400
Vote 8 - NDZ												-	-	-	-
Capital multi-year expenditure sub-total	30 149	26 489	31 739	27 191	35 207	38 127	36 812	26 563	36 075	26 796	38 202	40 785	394 134	426 393	425 453
Total Capital Expenditure	30 149	26 489	31 739	27 191	35 207	38 127	36 812	26 563	36 075	26 796	38 202	40 785	394 134	426 393	425 453

Table 51 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

DC43 Harry Gwala - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital Expenditure - Functional															
<i>Governance and administration</i>	199	216	351	357	464	369	351	347	474	350	502	131	4 110	1 900	650
Executive and council													-	-	-
Finance and administration	199	216	351	357	464	369	351	347	474	350	502	131	4 110	1 900	650
Internal audit													-	-	-
<i>Economic and environmental services</i>	-	-	-	-	-	-	-	-	-	-	-	300	300	315	331
Planning and development												300	300	315	331
<i>Trading services</i>	29 950	26 273	31 388	26 834	34 743	37 758	36 461	26 216	35 601	26 445	37 700	40 353	389 723	424 178	424 472
Energy sources													-	-	-
Water management	117	136	183	189	106	202	282	279	217	282	247	161	2 400	4 400	4 400
Waste water management	29 834	26 137	31 205	26 645	34 637	37 555	36 179	25 937	35 385	26 163	37 453	40 192	387 323	419 778	420 072
Waste management													-	-	-
<i>Other</i>													-	-	-
Total Capital Expenditure - Functional	30 149	26 489	31 739	27 191	35 207	38 127	36 812	26 563	36 075	26 796	38 202	40 785	394 134	426 393	425 453
Funded by:															
National Government	29 834	26 137	31 205	26 645	34 637	37 555	36 179	25 937	35 385	26 163	37 453	40 192	387 323	419 778	420 072
Other transfers and grants													-	-	-
Transfers recognised - capital	29 834	26 137	31 205	26 645	34 637	37 555	36 179	25 937	35 385	26 163	37 453	40 192	387 323	419 778	420 072
Internally generated funds	315	352	534	546	570	571	633	626	691	632	748	593	6 810	6 615	5 381
Total Capital Funding	30 149	26 489	31 739	27 191	35 207	38 127	36 812	26 563	36 075	26 796	38 202	40 785	394 134	426 393	425 453

Table 52 MBRR SA30 - Budgeted monthly cash flow

DC43 Harry Gwala - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash Receipts By Source													1		
Property rates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	1 903	1 671	2 243	1 743	1 643	1 566	1 639	1 631	1 677	1 465	1 668	2 357	21 205	22 194	23 525
Service charges - sanitation revenue	629	662	693	681	687	689	648	807	789	680	774	966	8 706	6 658	7 058
Interest earned - external investments	452	447	458	422	437	419	–	948	475	418	983	372	5 830	3 500	4 000
Transfer receipts - operational	101 089	15 843	–	2 980	56 719	–	–	506	126 198	–	103	–	303 439	336 126	361 280
Other revenue	110	190	142	376	73	186	146	69	93	62	24	103	1 575	1 391	1 454
Cash Receipts by Source	104 184	18 813	3 536	6 202	59 560	2 860	2 433	3 960	129 232	2 626	3 552	3 798	340 754	369 869	397 317
Other Cash Flows by Source															
Transfer receipts - capital	64 180	8 737	7 547	29 506	102 633	15 188	58 260	13 720	87 553	–	–	–	387 323	419 778	420 072
Increase (decrease) in consumer deposits	20	26	19	12	61	6	4	10	5	13	7	18	200	226	254
Total Cash Receipts by Source	168 384	27 576	11 102	35 720	162 254	18 054	60 697	17 690	216 789	2 639	3 559	3 816	728 278	789 872	817 643
Cash Payments by Type															
Employee related costs	12 772	12 736	12 304	19 076	13 477	12 577	12 776	14 567	11 066	13 218	13 086	13 062	160 716	173 087	186 423
Remuneration of councillors	677	670	670	670	668	668	668	668	1 059	713	713	696	8 539	9 222	9 960
Finance charges	–	–	576	–	–	617	23	(1)	13	13	14	755	2 009	2 127	2 251
Bulk purchases - Water & Sewer	875	956	953	–	1 851	939	965	942	915	989	956	1 011	11 352	2 127	2 251
Other materials	–	–	–	–	–	–	–	–	–	–	–	–	–	12 022	12 719
Contracted services	1 740	1 786	1 785	–	3 549	2 038	521	3 442	2 082	1 908	2 097	1 820	22 768	22 864	20 799
Other expenditure	15 870	9 251	7 238	1 653	16 314	19 402	6 027	5 340	41 573	5 461	6 793	8 667	143 590	161 364	161 511
Cash Payments by Type	31 934	25 399	23 526	21 398	35 858	36 240	20 979	24 958	56 708	22 303	23 659	26 011	348 973	382 814	395 913
Other Cash Flows/Payments by Type															
Capital assets	176	8 288	22 957	19 513	20 744	27 096	12 085	11 067	16 418	37 814	35 929	138 936	351 024	419 778	420 072
Repayment of borrowing	–	–	–	–	–	1 615	–	–	–	–	–	1 715	3 330	3 697	4 102
Total Cash Payments by Type	32 110	33 687	46 483	40 912	56 602	64 951	33 064	36 025	73 126	60 116	59 588	166 663	703 327	806 288	820 086
NET INCREASE/(DECREASE) IN CASH HELD	136 274	(6 111)	(35 381)	(5 192)	105 652	(46 897)	27 632	(18 335)	143 664	(57 478)	(56 029)	(162 847)	24 951	(16 416)	(2 443)
Cash/cash equivalents at the month/year begin:	5 000	141 274	135 162	99 781	94 589	200 241	153 344	180 976	162 641	306 305	248 827	192 798	5 000	29 951	13 534
Cash/cash equivalents at the month/year end:	141 274	135 162	99 781	94 589	200 241	153 344	180 976	162 641	306 305	248 827	192 798	29 951	29 951	13 534	11 091

2.9 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS

Water Services Department – Vote 14

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 53 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure

DC43 Harry Gwala - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept

Description	Vote 6 - Infrastructure Services	Vote 7 - Water Services
R thousand		
Revenue By Source		
Service charges - water revenue	–	39 269
Service charges - sanitation revenue	–	16 122
Service charges - refuse revenue	–	–
Other revenue	–	2 507
Transfers and subsidies	–	–
Gains on disposal of PPE	–	–
Total Revenue (excluding capital transfers and contributions)	–	57 897
Expenditure By Type		
Employee related costs	13 192	61 551
Depreciation & asset impairment	1 719	30 572
Bulk purchases	–	11 352
Contracted services	4 000	200
Transfers and subsidies	–	–
Other expenditure	20 280	47 942
Total Expenditure	39 191	151 617
Surplus/(Deficit)	(39 191)	(93 720)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	387 323	–
Surplus/(Deficit) after capital transfers & contributions	348 132	(93 720)

Table 54 Water Services Department – Performance objectives and indicators

DC43 Harry Gwala - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Function 1 - Waste Water Infrastructure										
Sub-function 1 - Water		20,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Reduction in water backlogs	Total number of HH with access to water	6435,0%	6893,0%	6755,0%	6755,0%	6755,0%	6755,0%	6755,0%	6755,0%	6755,0%
Sub-function 2 - Sanitation	Number of household with new access to VIP sanitation	1844,0%	1956,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%
Sub-function 3 - Electricity	No of hh with electricity connection in the water scheme	1956,0%	2043,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%	1941,0%
Sub-function 4 - Roads	No of KM or road provided	95,0%	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%
Provision of new access roads										
Sub-function 5 - Electricity	Frequency of building maintenance	9000,0%	9500,0%	9800,0%	9800,0%	9800,0%	9800,0%	9800,0%	9800,0%	9800,0%
Vote6 - Water Services										
Function 1 - Water										
Sub-function 1 - Water & Sanitation infrastructure Planning & Design	Water Feasibility Studies, Business Plans Approved	10,0%	10,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%
To ensure the effective management of all water Infrastructure	Sanitation Feasibility Studies, Business Plans Approved	5,0%	4,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Sub-function 2 - Water & Sanitation Services Operations and Maintenance	% Reduction in water losses Minimum Night Flows in main supply areas	95,0%	100,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%	98,0%
To render effective water & sanitation services	% reduction in the number of sewer overflows	95,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
	% Progress made towards Blue drop and Green drop Status DWA	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%

There are 2 unfilled positions in the top management structure of the Water Services Department. The top management structure consists of 2 Executive Director (Water and Infrastructure services), three directors and 7 professional engineers. As part of the performance objectives for the 2017/18 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R87 million, R93 million and R100 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water and charges for sanitation of which budget appropriation for the 2017/18 financial year is R55 million and increases to R58 million by 2018/19 and has been informed by a collection rate of 70 per cent and distribution losses of 40 per cent in the outer years.

The reduction of distribution losses is considered a priority and hence the departmental objectives. There has been a huge concerted effort in the 2017/18 in trying to minimize the water losses with initiatives such as the water meter and infrastructure audits. The enhancement of the ongoing Water Demand Management & Conservation initiatives are expected to also have a positive impact in minimizing water losses in the medium to long term.

Note: Municipalities would be required to undertake the aforementioned for each department/vote within the municipality.

2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the District's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.11 CAPITAL EXPENDITURE DETAILS

The following three tables present details of the District's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 55 MBRR SA 34a - Capital expenditure on new assets by asset class

DC43 Harry Gwala - Supporting Table SA34a Capital expenditure on new assets by asset class

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	172 783	219 241	219 111	333 517	303 661	303 661	382 324	419 778	287 963
Roads Infrastructure	–	–	–	500	–	–	–	–	–
<i>Roads</i>	–	–	–	500	–	–	–	–	–
Electrical Infrastructure	4 974	1 830	–	–	–	–	–	–	–
<i>HV Transmission Conductors</i>	4 974	1 830	–	–	–	–	–	–	–
Water Supply Infrastructure	120 854	166 952	190 611	299 352	274 814	274 814	319 780	362 261	223 463
<i>Pump Stations</i>									
<i>Water Treatment Works</i>	120 854	166 952	190 611	299 352	274 814	274 814	319 780	362 261	223 463
Sanitation Infrastructure	46 954	50 459	28 500	33 666	28 847	28 847	62 543	57 517	64 500
<i>Waste Water Treatment Works</i>	46 954	50 459	28 500	33 666	28 847	28 847	62 543	57 517	64 500
Other assets	6 684	8 578	3 900	1 500	1 500	1 500	200	210	221
Operational Buildings	6 684	8 578	3 900	1 500	1 500	1 500	200	210	221
<i>Municipal Offices</i>							200	210	221
<i>Building Plan Offices</i>	4 500	8 578	600	–	–	–	–		
<i>Stores</i>	2 184	–	3 300	1 500	1 500	1 500	–		
<i>Laboratories</i>									
Intangible Assets	200	200	1 100	1 250	950	950	2 100	105	110
Licences and Rights	200	200	1 100	1 250	950	950	2 100	105	110
<i>Computer Software and Applications</i>	200	200	1 100	1 250	950	950	2 100	105	110
Computer Equipment	–	1 380	–	–	–	–	–	–	–
Computer Equipment		1 380							
Furniture and Office Equipment	921	2 179	1 450	1 791	783	783	1 210	1 300	1 050
Furniture and Office Equipment	921	2 179	1 450	1 791	783	783	1 210	1 300	1 050
Machinery and Equipment	–	6 025	4 600	2 600	2 600	2 600	2 000	4 000	4 000
Machinery and Equipment		6 025	4 600	2 600	2 600	2 600	2 000	4 000	4 000
Transport Assets	1 000	1 100	–	4 642	1 000	1 000	1 300	1 000	–
Transport Assets	1 000	1 100		4 642	1 000	1 000	1 300	1 000	
Total Capital Expenditure on new assets	181 588	238 703	230 161	345 299	310 493	310 493	389 134	426 393	293 343

Table 56 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

DC43 Harry Gwala - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
Infrastructure	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
Roads Infrastructure	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
Water Treatment Works	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
Total Capital Expenditure on renewal of existing assets	6 525	4 580	12 656	5 000	2 850	2 850	5 000	-	20 000
<i>Renewal of Existing Assets as % of total capex</i>	<i>0,0%</i>	<i>1,9%</i>	<i>5,2%</i>	<i>1,4%</i>	<i>0,9%</i>	<i>0,9%</i>	<i>1,3%</i>	<i>0,0%</i>	<i>4,7%</i>
<i>Renewal of Existing Assets as % of deprecn"</i>	<i>17,6%</i>	<i>11,5%</i>	<i>31,2%</i>	<i>15,7%</i>	<i>6,7%</i>	<i>6,7%</i>	<i>14,6%</i>	<i>0,0%</i>	<i>50,4%</i>

Table 57 MBRR SA34c - Repairs and maintenance expenditure by asset class

DC43 Harry Gwala - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description R thousand	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	64 817	68 706	70 190	84 362	84 602	84 782	84 602	83 431	89 383
Water Supply Infrastructure	38 412	40 716	48 590	58 400	58 400	58 400	58 400	57 592	61 701
Pump Stations									
Water Treatment Works	38 412	40 716	48 590	58 400	58 400	58 400	58 400	57 592	61 701
Bulk Mains									
Sanitation Infrastructure	26 405	27 990	21 600	25 961	26 202	26 382	26 202	25 839	27 682
Pump Station									
Reticulation									
Waste Water Treatment Works	26 405	27 990	21 600	25 961	26 202	26 382	26 202	25 839	27 682
Other assets	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Operational Buildings	-	596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Municipal Offices									
Pay/Enquiry Points		596	3 336	4 009	3 009	3 009	3 009	2 967	3 179
Building Plan Offices									
Computer Equipment	-	357	150	180	180	-	180	178	190
Computer Equipment		357	150	180	180		180	178	190
Transport Assets	-	596	200	240	1 000	1 000	1 000	986	1 057
Transport Assets	-	596	200	240	1 000	1 000	1 000	986	1 057
Total Repairs and Maintenance Expenditure	64 817	70 254	73 875	88 791	88 791	88 791	88 791	87 562	93 809
<i>R&M as a % of PPE</i>	<i>5,1%</i>	<i>4,8%</i>	<i>4,4%</i>	<i>4,6%</i>	<i>4,7%</i>	<i>4,7%</i>	<i>4,7%</i>	<i>3,9%</i>	<i>3,6%</i>
<i>R&M as % Operating Expenditure</i>	<i>16,1%</i>	<i>17,8%</i>	<i>16,2%</i>	<i>23,2%</i>	<i>20,3%</i>	<i>20,3%</i>	<i>20,3%</i>	<i>22,4%</i>	<i>22,1%</i>

Table 58 MBRR SA35 - Future financial implications of the capital budget

DC43 Harry Gwala - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure			
Vote 1 - Council	–	–	–
Vote 2 - Municipal Manager	–	–	–
Vote 3 - Budget & Treasury Office	–	–	–
Vote 4 - Corporate Services	4 110	1 900	650
Vote 5 - Social & Development Planning	300	315	331
Vote 6 - Infrastructure Services	387 323	419 778	420 072
Vote 7 - Water Services	2 400	4 400	4 400
Vote 8 - NDZ	–	–	–
<i>List entity summary if applicable</i>			
Total Capital Expenditure	394 134	426 393	425 453
Net Financial Implications	394 134	426 393	425 453

Table 59 MBRR SA36 - Detailed capital budget per municipal vote

DC43 Harry Gwala - Supporting Table SA36 DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project R thousand	Program/Project description	Individually Approved (Yes/No) 6	Asset Class 3	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project information	
				Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>										
INFRASTRUCTURE SERVICES	Bulwer Nkelabantwana & Nkumba Water Supply	Yes	Infrastructure - Water	8 000	24 178	30 554	33 115	33 138		New
INFRASTRUCTURE SERVICES	Greater Khilimoni (Ward 1)	Yes	Infrastructure - Water	8 443	24 834	31 383	34 012	34 036		New
INFRASTRUCTURE SERVICES	Khukhulela Water_(Sdm)	Yes	Infrastructure - Water	5 000	12 104	15 296	16 578	16 590		New
INFRASTRUCTURE SERVICES	Kwanomandlovu Water Project_(Sdm)	Yes	Infrastructure - Water	10 000	24 178	30 554	33 115	33 138		New
INFRASTRUCTURE SERVICES	Mangwaneni Water Supply	Yes	Infrastructure - Water	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Mbululweni Water Supply	Yes	Infrastructure - Water	10 266	29 178	36 873	39 963	39 991		New
INFRASTRUCTURE SERVICES	Ingwe Household Sanitation Project	Yes	Infrastructure - Sanitation	2 000	27 178	34 346	37 223	37 250		New
INFRASTRUCTURE SERVICES	Bulwer Donnybrook Water Supply Scheme Project	Yes	Infrastructure - Water	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Eradication Of Water Backlogs In Kokstad	Yes	Infrastructure - Water	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Horseshoe Sanitation Project-New	Yes	Infrastructure - Sanitation	10 000	29 178	36 873	39 963	39 991		New
INFRASTRUCTURE SERVICES	Makhoba Housing Project (W&S)	Yes	Infrastructure - Sanitation	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Pakkies Water Ext Ph2	Yes	Infrastructure - Water	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Enhlanhleni Water Project	Yes	Infrastructure - Water	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Underberg Bulk Water Supply Upgrade Phase 2	Yes	Infrastructure - Water	7 000	16 166	20 429	22 141	22 157		New
INFRASTRUCTURE SERVICES	Chibini Water Supply	Yes	Infrastructure - Water	9 000	–	–	–	–		New
INFRASTRUCTURE SERVICES	Ixopo Mariathal Water Supply	Yes	Infrastructure - Water	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Ncakubana Water Project	Yes	Infrastructure - Water	4 500	13 010	16 440	17 818	17 831		New
INFRASTRUCTURE SERVICES	Thubalethu Water Supply	Yes	Infrastructure - Water	9 655	010	–	–	–		New
INFRASTRUCTURE SERVICES	Ufafa Water Supply	Yes	Infrastructure - Water	14 469	23 369	29 532	32 007	32 029		New
INFRASTRUCTURE SERVICES	Umkhunya Water Projects	Yes	Infrastructure - Water	12 896	12 896	16 297	17 662	17 675		New
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In Ubuhlebezwe	Yes	Infrastructure - Sanitation	1 500	5 666	7 160	7 760	7 765		New
INFRASTRUCTURE SERVICES	Umzimkhulu Sewer Emergency Intervention	Yes	Infrastructure - Sanitation	–	–	–	–	–		New
INFRASTRUCTURE SERVICES	Mnqumeni Water Supply	Yes	Infrastructure - Water	19 000	20 000	25 275	27 392	27 412		New
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In UMZIMKHULU	Yes	Infrastructure - Sanitation	500	5 000	6 319	6 848	6 853		New
INFRASTRUCTURE SERVICES	Greater Summerfield	Yes	Infrastructure - Water	18 069	12 029	15 201	16 475	16 486		Renewal
INFRASTRUCTURE SERVICES	Umzimkhulu Bulk Water Supply	Yes	Infrastructure - Water	–	–	–	–	–		Renewal

DC43 Harry Gwala - Supporting Table SA36 DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project information	
				Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
R thousand		6	3							
Parent municipality:										
<i>List all capital projects grouped by Municipal Vote</i>										
INFRASTRUCTURE SERVICES	Kwatshaka (Machumini Ext) Water Supply	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	KwaMeyi / Teerkloof	Yes	Infrastructure - Water	23 065	10 490	13 257	14 368	14 378		Renewal
INFRASTRUCTURE SERVICES	Paninkukhu Water	Yes	Infrastructure - Water	18 815	4 050	5 118	5 547	5 551		New
INFRASTRUCTURE SERVICES	Mqatsheeni Stepmore Water Project	Yes	Infrastructure - Water	-	10 000	12 637	13 696	13 706		New
INFRASTRUCTURE SERVICES	Rudemantary Programme	Yes	Infrastructure - Water	3 466	-	-	-	-		New
INFRASTRUCTURE SERVICES	Bulwer Donnybrook Water Supply Scheme Project	Yes	Infrastructure - Water	18 005	-	-	-	-		New
INFRASTRUCTURE SERVICES	Eradication Of Sanitation Backlog In UMZIMKHULU	Yes	Infrastructure - Sanitation	4 500	-	-	-	-		New
INFRASTRUCTURE SERVICES	CONSTRUCTION OF DISASTER CENTRE	Yes	Infrastructure - Other	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	CAMERAS & OTHER ACCESSORIES	Yes	Other Assets	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	DESIEL STANDBY GENERATOR	Yes	Other Assets	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Franklin Bulk Water & Sewerage Upgrade	Yes	Infrastructure - Sanitation	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Highflats Town Bulk Water Supply Scheme	Yes	Infrastructure - Water	-	2 990	3 779	4 095	4 098		New
INFRASTRUCTURE SERVICES	DONNYBROOK BULK SEWER UPGRADE	Yes	Infrastructure - Sanitation	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	CREIGHTON WATER SUPPLY	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	BULWER DAM WATER INTERVENTION	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	GREATER KOKSTAD EMERGENCY SEWER INTERVENTION & RECTIFICATION	Yes	Infrastructure - Sanitation	10 000	-	-	-	-		New
INFRASTRUCTURE SERVICES	GREATER PANINKUKHU BULK WATER	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	GREATER KOKSTAD WATER CONSERVATION AND DEMAND MNGT	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Underberg Waste Water	Yes	Infrastructure - Sanitation	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	IXOPO HOPEWELL WATER SUPPLY SCHEME	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Santombe Water Supply	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Umzimkhulu Bulk Water Supply (Clydsdale Water Reticulation)	Yes	Infrastructure - Water	1 000	-	-	-	-		New
INFRASTRUCTURE SERVICES	Tarrsv alley water project	Yes	Infrastructure - Water	3 157	-	-	-	-		New
INFRASTRUCTURE SERVICES	Tonjeni water project	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ixopo Hopewell water supply	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ibisi Housing Bulk Sewer Services	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ibisi water project	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ncwadi water supply	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Emazabekeni/Nokweja water supply	Yes	Infrastructure - Water	-	-	-	-	-		New
INFRASTRUCTURE SERVICES	Ndawana Water Supply	Yes	Infrastructure - Water	2 500	-	-	-	-		New

DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project R thousand	Program/Project description	Asset Class 3	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project information	
			Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
COPORATE SERVICES	Computers	Computers - software & programming	300	317	400	400	300		New
COPORATE SERVICES	New Furniture	Furniture and other office equipment	500	528	200	300	200		New
COPORATE SERVICES	NEW PROJECTOR & MICROPHONES	Other	50	30	10	-	-		New
COPORATE SERVICES	Office Equipment	Furniture and other office equipment	300	200	200	200	150		New
COPORATE SERVICES	VEHICLE (May or)	General vehicles	-	-	1 300	1 000	-		New
COPORATE SERVICES	SERVER & DESKTOP BACKUP	Computers - hardware/equipment	900	950	2 000	-	-		New
COPORATE SERVICES	DEVELOPMENT OF STAFF COMPOUNDS	Buildings	600	600	-	-	-		New
COPORATE SERVICES	CASH SAFE	Other	-	-	-	-	-		New
COPORATE SERVICES	PROCUREMENT OF ADDITIONAL DMICS EQUIPMENT	Furniture and other office equipment	-	317	-	-	-		New
COPORATE SERVICES	Office Alterations	Other	-	-					New
SOCIAL ECONOMIC DEVELOPMENT PLANNING SERVICE	FURNITURE FOR THE DISASTER CENTER	Furniture and other office equipment	500	-					New
SOCIAL ECONOMIC DEVELOPMENT PLANNING SERVICE	PROCUREMENT OF ADDITIONAL DMICS EQUIPMEN		300	-					New
WATER SERVICES	INSTALLATION OF CALL CENTRE SYSTEM	Other	200	-	-	-	-		New
WATER SERVICES	INSTALLATION OF BULK WATER METERS	Other	2 500	1 500	1 500	3 000	3 000		New
WATER SERVICES	INSTALLATION OF STANDBY GENERATORS	Other	800	500	500	1 000	1 000		New
WATER SERVICES	WATER QUALITY TESTING EQUIPMENT		800	400	400	400	400		New
Parent Capital expenditure			242 817	350 299	393 834	426 078	313 013		
Entities: <i>List all capital projects grouped by Entity</i> Entity A Computer software Municipal building									
Entity Capital expenditure			-	-	300	315	331		
Total Capital expenditure			242 817	350 299	394 134	426 393	313 343		

Table 59 MBRR 36: Detailed capital budget per municipal vote (continued)

DC43 Harry Gwala - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project R thousand	Program/Project description	Individually Approved (Yes/No) 6	Asset Class 3	Prior year outcomes		2016/17 Medium Term Revenue & Expenditure Framework			Project information	
				Audited Outcome	Current Year 2015/16	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>										
SOCIAL ECONOMIC DEVELOPMENT PLANNING	FURNITURE FOR THE DISASTER CENTER		<i>Furniture and other office equipment</i>	1 500	500	-	-	-		NEW
	PROCUREMENT OF ADDITIONAL DMICS EQUIPMEN			-	300	-	-	-		
WATER SERVICES	INSTALLATION OF CALL CENTRE SYSTEM		<i>Other</i>	200	200	-	-	-		NEW
WATER SERVICES	INSTALLATION OF BULK WATER METERS		<i>Other</i>	4 000	2 500	1 500	1 590	1 685		NEW
WATER SERVICES	INSTALLATION OF STANDBY GENERATORS		<i>Other</i>	1 000	800	500	530	562		NEW
	WATER QUALITY TESTING EQUIPMENT				800	400	424	449		
FINANCE	COMPUTER SOFTWARE MUN FIN SYSTEMS - MSIG		<i>OTHER</i>	-	-					
Parent Capital expenditure						356 054	409 888	381 252		

Table 60 MBRR SA37 - Projects delayed from previous financial year

DC43 Harry Gwala - Supporting Table SA37 Projects delayed from previous financial year/s

Municipal Vote/Capital project	Project name	Asset Class 3	Asset Sub- Class 3	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework		
				Original Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand								
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>		<i>Examples</i>	<i>Examples</i>					
Infrastructure	Greater Khilimoni (Ward 1)	Infrastructure - Water	Reticulation	24 834	24 834	30 554	33 115	33 138
Infrastructure	Kwanomandlovu Water Project (Sdm)	Infrastructure - Water	Reticulation	24 178	24 178	30 554	33 115	33 138
INFRASTRUCTURE SERVICES	Mbululweni Water Supply	Infrastructure - Water	Reticulation	29 178	29 178	36 873	39 963	39 991
INFRASTRUCTURE SERVICES	Greater Summerfield	Infrastructure - Water	Reticulation	12 029	12 029	15 201	16 475	16 486
	Bulwer Nkelabantwana & Nkumba Water Supply	Infrastructure - Water	Reticulation	24 178	24 178	30 554	33 115	33 138

2.12 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the district's website.

Internship programme

The district is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department and internal auditing. Their contracts started on the 01 August 2013 and their contract ends in July 2016 as required by National Treasury. Since the introduction of the Internship programme the district has successfully employed and trained 13 interns through this programme and a majority of them were appointed either in the district or other Institutions.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

Audit Committee

An Audit Committee has been established and is fully functional.

Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF in May 2017 directly aligned and informed by the 2017/18 MTREF.

Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

MFMA Training

The MFMA training module in electronic format is presented at the district and training is ongoing.

Policies

The review of all budget related policies has taken place in terms of Regulation 7 of the MBRR.

2.13 OTHER SUPPORTING DOCUMENTS

Table 61 MBRR Table SA1 - Supporting detail to budgeted financial performance

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
REVENUE ITEMS:										
<u>Service charges - water revenue</u>										
Total Service charges - water revenue	40 990	46 340	34 993	46 545	40 571	40 571	40 571	44 893	47 587	50 442
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>	5 136	5 806	4 384	5 832	5 083	5 083	5 083	5 625	5 962	6 320
Net Service charges - water revenue	35 855	40 534	30 608	40 714	35 488	35 488	35 488	39 269	41 625	44 122
<u>Service charges - sanitation revenue</u>										
Total Service charges - sanitation revenue	13 050	14 028	11 286	17 449	15 209	15 209	15 209	16 122	17 089	18 114
Net Service charges - sanitation revenue	13 050	14 028	11 286	17 449	15 209	15 209	15 209	16 122	17 089	18 114
<u>Other Revenue by source</u>										
Other revenue	1 874	1 401	378	609	2 062	2 062	2 062	2 147	1 834	1 963
Revenue Generated by the SDA	-	-	-	5	-	-	-	-	-	-
Revenue Generated by the SDA - Sale of Tender Documents	-	-	20	-	-	-	-	-	-	-
CLEARANCE CERTIFICATES	-	-	8	-	-	-	-	9	9	9
TENDER DOCUMENTS	-	-	1 145	-	-	-	-	640	601	600
CONSERVANCY TANKS	-	-	679	-	-	-	-	360	343	343
Total 'Other' Revenue	1 874	1 401	2 230	614	2 062	2 062	2 062	3 155	2 786	2 914

Table 62 MBRR Table SA1 - Supporting detail to budgeted financial performance (Continued)

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
EXPENDITURE ITEMS:										
Employee related costs										
Basic Salaries and Wages	77 463	88 230	99 953	104 181	111 158	111 158	111 158	121 288	130 505	140 434
Pension and UIF Contributions	11 289	9 413	10 451	10 677	11 382	11 382	11 382	12 551	13 555	14 640
Medical Aid Contributions	1 564	3 728	4 140	4 529	4 828	4 828	4 828	4 985	5 384	5 814
Overtime	1 394	8 353	9 275	9 840	10 491	10 491	10 491	12 937	13 972	15 090
Performance Bonus	6 765	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	5 469	4 704	5 224	6 711	7 155	7 155	7 155	7 354	7 942	8 577
Cellphone Allowance	608	1 661	1 844	550	586	586	586	599	647	699
Housing Allowances	42	197	219	794	846	846	846	967	1 044	1 128
Other benefits and allowances	1 863	377	419	668	712	712	712	35	38	41
<i>sub-total</i>	106 456	116 664	131 525	137 950	147 159	147 159	147 159	160 716	173 087	186 423
Less: Employees costs capitalised to PPE										
Total Employee related costs	106 456	116 664	131 525	137 950	147 159	147 159	147 159	160 716	173 087	186 423
Depreciation & asset impairment										
Depreciation of Property, Plant & Equipment	37 166	41 558	41 756	31 874	42 844	42 844	42 844	34 996	37 627	40 462
Depreciation resulting from revaluation of PPE										
Total Depreciation & asset impairment	37 166	41 558	41 756	31 874	42 844	42 844	42 844	34 996	37 627	40 462
Bulk purchases										
Water Bulk Purchases	9 487	8 947	8 577	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Total bulk purchases	9 487	8 947	8 577	10 709	10 709	10 709	10 709	11 352	12 022	12 719
Contracted services										
Gardening Services	-	600	80	211	132	132	132	150	159	168
Cleaning services	292	200	300	317	198	198	198	-	-	-
Security Services	7 874	1 200	12 960	9 142	5 713	5 713	5 713	12 000	12 708	13 445
IT Support & Office Rental	-	-	-	-	-	-	-	-	-	-
EXTERNAL WATER QUALITY MONITORING	1 267	2 000	-	-	-	-	-	-	-	-
WSDP Review	115	-	-	-	-	-	-	-	-	-
Municipal Finance Support	-	-	201	-	-	-	-	-	-	-
VAT Consultant	2 159	2 000	1 500	1 000	625	625	625	-	-	-
Water conservation	-	-	-	-	-	-	-	4 000	2 671	(566)
PM Umzimkhulu pits	-	-	-	-	-	-	-	1 500	1 589	1 681
Institutional Support Services	-	-	-	-	-	-	-	-	-	-
RENTAL OF OFFICE EQUIPMENT	-	500	600	633	396	396	396	750	794	840
Water Resource Strategies & Planning	-	-	-	-	-	-	-	-	-	-
LEGAL SERVICES	321	-	887	1 000	625	625	625	-	-	-
INSTALLATION OF BULK & WATER METERS	-	-	-	-	-	-	-	-	-	-
RISK ASS, MAN STRATEGY AND AUDIT ASSIGNMENT	100	-	-	-	-	-	-	-	-	-
AUDIT COMMITTEE	-	400	-	600	375	375	375	500	530	560
ANNUAL FINANCIAL STATEMENTS (AFS)(ACCOUNTING SERVICES)	1 899	1 300	3 264	3 165	1 978	1 978	1 978	3 000	3 177	3 361
PMS/SDBIP REVIEW	512	600	800	300	187	187	187	500	847	896
Other	5 416	-	24 196	10 500	6 562	6 562	6 562	-	-	-
Eradication of Sanitation Backlog in Ubuhlebezwe	-	-	2 150	2 268	1 418	1 418	1 418	368	390	412
Systems and Admin support	3 705	-	4 816	-	-	-	-	-	-	-
Refurbishment Projects	3 214	46 535	34 341	15 788	9 866	9 866	9 866	-	-	-
<i>sub-total</i>	26 872	55 335	86 095	44 923	28 075	28 075	28 075	22 768	22 864	20 799
Total contracted services	26 872	55 335	86 095	44 923	28 075	28 075	28 075	22 768	22 864	20 799

DC43 Harry Gwala - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Other Expenditure By Type										
Collection costs	–	1 919	600	504	749	749	749	–	–	–
Contributions to 'other' provisions	1 818	463	1 398	1 175	1 747	1 747	1 747	1 464	1 550	1 640
Consultant fees	–	–	3 800	3 193	4 746	4 746	4 746	–	–	–
Audit fees	1 784	2 155	2 000	1 680	2 498	2 498	2 498	2 000	2 700	2 850
General expenses	56 103	27 750	32 889	33 639	35 980	35 980	35 980	37 591	42 920	45 763
COMMUNITY PARTICIPATION	4 228	4 270	4 570	10 790	16 041	16 041	16 041	6 558	7 795	8 348
CONFERENCES AND SEMINARS	1 042	659	832	699	1 039	1 039	1 039	750	1 104	1 184
DISASTER MANAGEMENT	698	47	800	672	999	999	999	500	1 589	1 681
ELECTRICITY	–	1 887	800	672	999	999	999	4 560	4 829	5 109
FINANCE RELATED COSTS	–	2 284	20 659	588	874	874	874	9 883	11 297	11 977
HUMAN RESOURCE RELATED COSTS	–	1 934	7 786	6 541	9 724	9 724	9 724	12 871	13 602	14 363
IT RELATED COSTS	44	513	3 552	2 985	4 437	4 437	4 437	365	387	409
OPERATIONS & MAINTENANCE	–	10 617	1 000	840	1 249	1 249	1 249	14 500	15 356	16 246
PRINTING & STATIONARY	727	874	990	832	1 237	1 237	1 237	600	700	740
PROJECT PLANNING	–	688	850	714	1 062	1 062	1 062	–	–	–
PUBLIC RELATIONS	672	2 468	850	714	1 062	1 062	1 062	–	–	–
RURAL ROADS ASSETS INFRASTRUCTURE	–	1 223	1 700	1 428	2 123	2 123	2 123	–	–	–
SOCIAL & SPORTS	885	7 707	1 000	840	1 249	1 249	1 249	4 000	4 236	4 482
SUBSISTANCE & TRAVELLING	905	788	1 500	1 260	1 874	1 874	1 874	809	4 360	916
TELEPHONE & FAXES	4 005	2 059	2 000	1 680	2 498	2 498	2 498	2 000	2 118	2 241
WATER CONSERVATION & DEMAND MANAGEMENT	348	1 051	600	504	749	749	749	800	847	896
Impairment costs	3 672	13 533	500	420	625	625	625	–	–	–
Rain water Harvesting	–	–	4 000	3 361	4 996	4 996	4 996	–	–	–
Department of Higher Education Grant Expenditure				10 427	10 427	10 427	10 427	–	–	–
Water Services Operational Costs			–	20 229	30 073	30 073	30 073	–	–	–
Repairs & Maintenance	23 539	22 625	27 109	11 889	17 674	17 674	17 674	6 700	7 095	7 507
Expenditure on Grants	77 951	59 210	44 083	14 306	21 267	21 267	21 267	17 641	16 016	14 361
Total 'Other' Expenditure	178 422	166 723	165 869	132 584	177 998	177 998	177 998	123 590	138 500	140 712
Repairs and Maintenance by Expenditure Item										
Employee related costs	29 493	35 127	37 937	45 597	45 597	45 597	45 597	51 894	56 045	60 529
Other materials	26 476	24 589	17 064	20 510	20 510	20 510	20 510	33 116	35 069	37 103
Contracted Services	5 899	7 025	15 150	18 209	18 209	18 209	18 209	200	212	224
Other Expenditure	2 949	3 513	3 723	4 475	4 475	4 475	4 475	2 353	2 483	2 627
Total Repairs and Maintenance Expenditure	64 817	70 254	73 875	88 791	88 791	88 791	88 791	87 562	93 809	100 483

Table 63 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

DC43 Harry Gwala - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Vote 1 - Council	Vote 2 - Municipal	Vote 3 - Budget &	Vote 4 - Corporate	Vote 5 - Social &	Vote 6 - Infrastructure	Vote 7 - Water Services	Total
R thousand								
Revenue By Source								
Property rates	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	39 269	39 269
Service charges - sanitation revenue	-	-	-	-	-	-	16 122	16 122
Interest earned - external investments	-	-	5 830	-	-	-	-	5 830
Interest earned - outstanding debtors	-	-	9 000	-	-	-	-	9 000
Other revenue	-	-	643	-	-	-	2 507	3 150
Transfers and subsidies	-	-	303 739	-	-	-	-	303 739
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	-	-	319 213	-	-	-	57 897	377 109
Expenditure By Type								
Employee related costs	-	9 521	17 359	18 807	34 070	13 192	61 551	154 502
Remuneration of councillors	8 539	-	-	-	-	-	-	8 539
Debt impairment	-	-	27 843	-	-	-	-	27 843
Depreciation & asset impairment	159	177	484	1 127	49	1 719	30 572	34 286
Finance charges	-	-	2 000	-	-	-	-	2 000
Bulk purchases	-	-	-	-	-	-	11 352	11 352
Contracted services	-	500	3 000	12 900	668	4 000	200	21 268
Transfers and subsidies	-	-	-	-	-	-	-	-
Other expenditure	3 649	4 753	13 215	17 478	24 602	20 280	47 942	131 918
Loss on disposal of PPE	-	-	-	-	-	-	-	-
Total Expenditure	12 346	14 950	63 901	50 312	59 389	39 191	151 617	391 708
Surplus/(Deficit)	(12 346)	(14 950)	255 311	(50 312)	(59 389)	(39 191)	(93 720)	(14 598)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	-	-	-	-	387 323	-	387 323
Surplus/(Deficit) after capital transfers & contributions	(12 346)	(14 950)	255 311	(50 312)	(59 389)	348 132	(93 720)	372 725

Table 64 MBRR Table SA3 – Supporting detail to Statement of Financial Position

DC43 Harry Gwala - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
ASSETS										
<u>Call investment deposits</u>										
Call deposits					2 931	2 931	2 931			
Total Call investment deposits	-	-	-	-	2 931	2 931	2 931	-	-	-
<u>Consumer debtors</u>										
Consumer debtors	6 923	25 704	25 219	181 211	181 211	181 211	181 211	225 978	273 430	323 729
Less: Provision for debt impairment				(133 133)	(133 133)	(133 133)	(133 133)	(189 821)	(229 681)	(271 933)
Total Consumer debtors	6 923	25 704	25 219	48 078	48 078	48 078	48 078	36 156	43 749	51 797
<u>Debt impairment provision</u>										
Balance at the beginning of the year				122 739	122 739	122 739	122 739	133 133	154 976	178 490
Contributions to the provision			71 748	25 394	25 394	25 394	25 394	27 843	29 513	31 284
Bad debts written off			18 369	(15 000)	(15 000)	(15 000)	(15 000)	(6 000)	(6 000)	(6 000)
Balance at end of year	-	-	90 118	133 133	133 133	133 133	133 133	154 976	178 490	203 774
<u>Property, plant and equipment (PPE)</u>										
PPE at cost/valuation (excl. finance leases)	1 279 317	1 497 088	1 696 950	2 149 514	1 881 807	1 881 807	1 881 807	2 502 148	2 928 225	3 353 347
Less: Accumulated depreciation				231 720				266 006	302 888	342 567
Total Property, plant and equipment (PPE)	1 279 317	1 497 088	1 696 950	1 917 794	1 881 807	1 881 807	1 881 807	2 236 142	2 625 338	3 010 780
LIABILITIES										
<u>Current liabilities - Borrowing</u>										
Current portion of long-term liabilities	3 415	5 896	7 580	3 330	3 330	3 330	3 330	3 758	4 164	4 618
Total Current liabilities - Borrowing	3 415	5 896	7 580	3 330	3 330	3 330	3 330	3 758	4 164	4 618
<u>Trade and other payables</u>										
Trade and other creditors	88 397	144 792	202 314	54 536	226 541	226 541	226 541	38 840	37 782	34 746
Unspent conditional transfers	19 772	7 797	14 577	3 234	3 234	3 234	3 234	6 645	5 980	5 316
Total Trade and other payables	108 169	152 589	216 891	57 770	229 775	229 775	229 775	45 485	43 762	40 062
<u>Non current liabilities - Borrowing</u>										
Borrowing	22 064	18 683	15 683	12 353	12 353	12 353	12 353	12 379	8 684	4 583
Finance leases (including PPP asset element)	5 130	3 817	1 571							
Total Non current liabilities - Borrowing	27 193	22 501	17 255	12 353	12 353	12 353	12 353	12 379	8 684	4 583
<u>Provisions - non-current</u>										
Retirement benefits	10 881	14 235	17 501	17 506	17 506	17 506	17 506			
Other	3 047	2 437	2 437	2 591	2 591	2 591	2 591			
Total Provisions - non-current	13 928	16 672	19 938	20 096	20 096	20 096	20 096	-	-	-
CHANGES IN NET ASSETS										
<u>Accumulated Surplus/(Deficit)</u>										
Accumulated Surplus/(Deficit) - opening balance	1 071 838	1 161 247	1 204 522	1 543 920	1 850 109	1 850 109	1 850 109	1 872 825	2 224 228	2 610 060
Restated balance	1 071 838	1 161 247	1 204 522	1 543 920	1 850 109	1 850 109	1 850 109	1 872 825	2 224 228	2 610 060
Surplus/(Deficit)	121 412	175 505	134 418	303 258	266 998	266 998	266 998	372 725	405 901	416 446
Other adjustments	15 967	32 474	164 704	69 297	(435 428)	(435 428)	(435 428)			
Accumulated Surplus/(Deficit)	1 209 217	1 369 227	1 503 645	1 916 475	1 681 679	1 681 679	1 681 679	2 245 550	2 630 128	3 026 506
TOTAL COMMUNITY WEALTH/EQUITY	1 209 217	1 369 227	1 503 645	1 916 475	1 681 679	1 681 679	1 681 679	2 245 550	2 630 128	3 026 506

Table 65 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

DC43 Harry Gwala - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	2013/14	2014/15	2015/16	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics							
Population	584	597	610	623	636	648	661
Females aged 5 - 14	86	88	90	92	94	96	98
Males aged 5 - 14	73	75	77	78	80	82	83
Females aged 15 - 34	108	110	112	115	117	119	122
Males aged 15 - 34	92	94	96	98	100	102	104
Unemployment	146	149	153	156	159	162	165
Monthly household income (no. of households)							
No income	82 753	84 542	86 332	88 121	89 883	91 681	93 514
R1 - R1 600	138 699	141 698	144 696	147 695	150 649	153 662	156 736
R1 601 - R3 200	216 440	221 120	225 799	230 479	235 089	239 791	244 587
R3 201 - R6 400	49 681	50 755	51 829	52 903	53 961	55 041	56 141
R6 401 - R12 800	42 309	43 224	44 139	45 053	45 954	46 873	47 811
R12 801 - R25 600	32 752	33 460	34 168	34 876	35 573	36 285	37 011
R25 601 - R51 200	12 967	13 247	13 527	13 808	14 084	14 365	14 653
R52 201 - R102 400	2 797	2 858	2 918	2 979	3 038	3 099	3 161
R102 401 - R204 800	-	-	-	-	-	-	-
R204 801 - R409 600	3 205	3 275	3 344	3 413	3 481	3 551	3 622
R409 601 - R819 200	1 166	1 191	1 216	1 241	1 266	1 291	1 317
> R819 200							
Number of people in municipal area	583	595	608	621	633	646	659
Number of poor people in municipal area	510	539	569	598	610	622	635
Number of households in municipal area	123	126	128	131	134	136	139
Number of poor households in municipal area	107	113	119	126	128	131	133
Definition of poor household (R per month)	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M	<R1600 P/M
Housing statistics							
Formal	39 524	40 379	41 234	42 088	42 930	43 789	44 664
Informal	2 339	2 390	2 441	2 491	2 541	2 592	2 644
Total number of households	41 863	42 769	43 674	44 579	45 471	46 380	47 308
Economic							
Inflation/inflation outlook (CPI-X)	5,5%	5,7%	5,9%	6,1%	6,3%	6,6%	6,9%
Interest rate - borrowing	-	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%
Interest rate - investment	8,0%	8,5%	9,0%	9,5%	9,9%	10,3%	10,7%
Remuneration increases	7,5%	7,7%	7,9%	8,1%	8,4%	8,8%	9,1%
Consumption growth (electricity)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Consumption growth (water)	2,2%	2,2%	2,2%	2,2%	2,3%	2,4%	2,5%
Collection rates							
Property tax/service charges	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Rental of facilities & equipment	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%
Interest - external investments	8,0%	8,5%	9,0%	9,5%	10,1%	10,6%	11,2%
Interest - debtors	0,0%	0,0%	0,0%	0,0%	8,5%	9,0%	9,5%
Revenue from agency services	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets (000)									
<u>Water:</u>									
Piped water inside dwelling	41 595	41 985	44 069	46 273	46 273	46 273	48 247	48 642	48 419
Piped water inside yard (but not in dwelling)	19 048	19 227	19 323	20 290	20 290	20 290	20 087	19 886	19 687
Using public tap (at least min.service level)	22 667	22 880	22 606	23 736	23 736	23 736	26 110	30 026	34 530
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	83 311	84 093	85 998	90 298	90 298	90 298	94 443	98 554	102 636
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
No water supply	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	56 042	56 568	57 545	60 422	60 422	60 422	65 558	70 616	75 602
Flush toilet (with septic tank)	11 651	11 761	11 964	12 562	12 562	12 562	12 436	12 312	12 189
Chemical toilet	–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)	47 047	47 489	48 309	50 725	50 725	50 725	48 188	45 779	43 490
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281

	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets (000)									
<u>Water:</u>									
Piped water inside dwelling	41 595	41 985	44 069	46 273	46 273	46 273	48 247	48 642	48 419
Piped water inside yard (but not in dwelling)	19 048	19 227	19 323	20 290	20 290	20 290	20 087	19 886	19 687
Using public tap (at least min.service level)	22 667	22 880	22 606	23 736	23 736	23 736	26 110	30 026	34 530
Other water supply (at least min.service level)									
<i>Minimum Service Level and Above sub-total</i>	83 311	84 093	85 998	90 298	90 298	90 298	94 443	98 554	102 636
Using public tap (< min.service level)									
Other water supply (< min.service level)	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
No water supply									
<i>Below Minimum Service Level sub-total</i>	31 430	31 725	31 819	33 410	33 410	33 410	31 740	30 153	28 645
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)	56 042	56 568	57 545	60 422	60 422	60 422	65 558	70 616	75 602
Flush toilet (with septic tank)	11 651	11 761	11 964	12 562	12 562	12 562	12 436	12 312	12 189
Chemical toilet									
Pit toilet (ventilated)	47 047	47 489	48 309	50 725	50 725	50 725	48 188	45 779	43 490
Other toilet provisions (> min.service level)									
<i>Minimum Service Level and Above sub-total</i>	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
Total number of households	114 741	115 818	117 818	123 709	123 709	123 709	126 183	128 707	131 281
	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Location of households for each type of FBS</u>									
Formal settlements - (6 kilolitre per indigent household per month R'000)	4 455 199	5 005 862	5 306 213	4 885 659	4 885 659	4 885 659	5 624 586	5 962 061	6 319 785

Table 66 MBRR SA32 – List of external mechanisms

DC43 Harry Gwala - Supporting Table SA32 List of external mechanisms

External mechanism Name of organisation	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
		Number			R thousand
Umngeni Water	Ongoing	Ongoing	Bulk Water Supply	Ongoing	11 352
Dwala Services			Cleaning services	Ongoing	317
Isidingo			Security Services	Ongoing	12 000
Umntho			ANNUAL FINANCIAL STATEMENTS (AFS)(ACCOUNTING SERVICES)	Ongoing	3 165
Francis			Legal Services	Ongoing	1 000

2.1 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I Adelaide Nomnandi Dlamini, Municipal Manager of Harry Gwala District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Adelaide Nomnandi Dlamini

Municipal Manager of Harry Gwala District Municipality (DC43)

Signature _____

Date 2017/03/28